1980 Annual Report to Investors

IU is a diversified services company with major interests in transportation, environmental, agribusiness, distribution, and industrial markets. IU has restructured its business to benefit the shareholders.

IU International

IU International Corporation

In 1980, IU exchanged its holdings in Canadian Utilities for 16.2 million IU common shares.

IU's return on common equity was 23% in 1980.

Dividends increased for the 36th consecutive year.

In millions, except per share data	**1980**	1979	1978
Revenues	**$2,261.2**	$2,128.7	$1,973.0
Earnings from continuing operations	**$ 76.0**	$ 49.5	$ 37.0
Earnings per share from continuing operations:			
Primary	**$ 2.72**	$ 1.36	$ 1.05
Fully diluted	**$ 2.51**	$ 1.30	$ 1.01
Cash dividends per common share	**$ 1.025**	$ .95	$ .925
Average common and common equivalent shares	**27.2**	33.8	33.2
Total assets	**$1,385.6**	$1,470.3	$1,600.7

Summary of Earnings

In millions, except per share data	1980	1979
Revenues and other income	**$2,261.2**	$2,128.7
Earnings from continuing operations	**76.0**	49.5
Discontinued operations:		
Earnings from operations	**7.2**	17.5
Gain on disposition of electric and gas utility	**96.1**	—
	103.3	17.5
Write-off of trucking operating rights	**(31.3)**	—
Cumulative effects of changes in accounting principles	**(3.3)**	—
Net earnings	**$ 144.7**	$ 67.0
Primary earnings per share:		
Continuing operations	**$ 2.72**	$ 1.36
Discontinued operations	**3.80**	.52
Extraordinary item	**(1.15)**	—
Cumulative effects of changes in accounting principles	**(.12)**	—
	$ 5.25	$ 1.88

1980 was an exciting year at IU International. During the year we:

- completed a major stage in the restructuring of the company with the exchange of our interest in Canadian Utilities Limited for 16.2 million shares of our own common stock;
- sharply improved profitability despite the effects of the recession on two of our core business groups;
- invested in new opportunities for growth in all of our existing businesses plus a new venture, a Canadian gold mine.

Earnings per share from continuing operations doubled, rising to $2.72 per share from $1.36 per share in 1979. Revenues were $2.26 billion, compared with $2.13 billion in the previous year. Based on earnings from continuing operations, IU's return on common shareholders' equity was 23%.

Discontinued operations accounted for earnings of $103.3 million in 1980, including the non-cash gain of $96.1 million from the exchange of IU's interest in Canadian Utilities for 47% of our own common shares then outstanding. This gain more than offset a third quarter write-off of trucking operating rights valued at $31.3 million.

Net earnings for the year totaled $144.7 million, or $5.25 per share. In 1979, net earnings were $67.0 million, or $1.88 per share. Earnings per share for 1980 are calculated using a weighted average for the year of 27.2 million common and common equivalent shares, compared with 33.8 million in 1979. At December 31, 1980, there were 19.7 million common shares outstanding.

In 1980, IU benefited from both its diversification and its restructuring program. First, here are the operational highlights:

Transportation Services, the company's largest operating group, had a good year even though the recession caused an 18% drop in industry freight tonnage. Ryder Truck Lines and Pacific Intermountain Express reported combined operating earnings totaling $59.7 million on revenues of $989.1 million, compared with $63.0 million on revenues of $943.0 million a year earlier.

For the trucking industry, 1981 may be a difficult year, with the recession extending into the early part of the year and price competition spreading in a deregulated environment. But IU is committed to

maintaining its position in this industry, and we look forward to the year as another opportunity to increase our market share. To achieve this goal, our truck lines will continue to expand aggressively. In 1980 we opened 51 new terminals, and in 1981 we plan an additional 53 openings.

Our trucking management is as professional and aggressive as any in the industry, our systems are among the best, our fleet is modern, our drivers are skilled, and our dedication to serving the shipper is unsurpassed. We anticipate that there will be problems as the industry learns to live with deregulation. That could mean pressure on profits in the near term, as it has meant in other industries. But in the long run, we believe that we have positioned ourselves to be leaders in this industry.

Environmental Services were affected by the recession, particularly as it hit the United States steel industry, and results fell somewhat short of 1979. The Environmental group had operating earnings of $46.5 million on revenues of $244.3 million in 1980, compared with operating earnings of $53.8 million on revenues of $224.2 million in the previous year.

Overall, the group should show improvement in 1981, in part because the United States steel industry seems to be rebounding and also because of new contracts for waste management services and recent acquisitions. We have made major investments in environmental services over the past three years. We believe we can sustain our returns while meeting increased demand from industry for environmentally sound treatment of industrial waste. The Water Services group is also expected to have another good year.

Earnings from continuing operations rose by 54% in 1980.

Agribusiness, boosted by higher sugar prices and continued good results from macadamia nuts, molasses and fertilizer operations, had an excellent year as operating earnings more than doubled to $64.7 million from $24.3 million. Revenues were $361.4 million, up from $272.3 million in 1979. Diversification in non-sugar markets has been an important reason for C. Brewer's solid growth.

While current world demand for sugar remains greater than supply, prices have proven very unpredictable. We had a very good year in 1980, and we anticipate a good year in 1981, but we are careful to view with skepticism any forecasts of the price of sugar.

We are also optimistic about the future of our land in Hawaii. C. Brewer owns significant acreage—primarily on Maui, Kauai, and the Big Island of Hawaii—suitable for residential, commercial and industrial purposes. We are particularly impressed with the increase of all land values on the island of Maui, where we own approximately 26,000 acres. We have developed an industrial park there and plan to open a residential section this year. In both cases, C. Brewer's role is in planning, zoning, establishing the infrastructure, and subdividing.

Distribution Services had a good year, continuing the strong performance of our basic operations which was masked before 1978-79 by the results of the underachieving industrial and dental supply companies. These companies have now been divested. The remaining paper and institutional food distribution units had combined operating earnings of $17.8 million, up from $13.0 million a year ago. Revenues were $463.6 million, down from $519.7 million, reflecting the dispositions. Our market position is strong in the Southeast, and 1981 should prove another good year.

Restructuring permits us to concentrate on high-potential opportunities.

Industrial & Other was unusually strong in 1980 as a result of $31 million in operating earnings in the first quarter, largely from silver hedging. We do not speculate in silver, but we often sell forward to protect the price of silver in inventory or near-term production. Having taken such a forward position in the first quarter of 1980 when silver prices were at all-time highs, we were able to close out the contracts with a very large gain after prices fell sharply.

Including our two energy-related manufacturing companies, which showed a combined improvement over 1979, operating earnings for the year totaled $36.1 million on revenues of $202.8 million. In 1979, this segment had earnings of $6.8 million on revenues of $169.5 million.

Restructuring: IU's restructuring process began in 1978 with acquisition of the 46% minority interest in C. Brewer and Company, Limited. It continued in November 1979 with the establishment of Gotaas-Larsen Shipping Corporation as a separate public company upon the distribution of its ownership directly to IU's common shareholders.

The third step, and certainly the most significant event of 1980, occurred last June when IU's 58% interest in Canadian Utilities was exchanged for 16.2 million shares of IU common stock. More than 10,000 IU shareholders participated in the $17 per share tender offer extended by a Canadian company. More than $275 million was paid directly to tendering IU shareholders, and the company recorded a non-taxable $96.1 million gain on the disposition of its Canadian Utilities shares. IU's then-outstanding common shares were reduced by 47%. At year-end 1980, IU had 19.7 million common shares outstanding, compared with 32.4 million at year-end 1979.

The restructuring of IU has yielded the following results:

- It created new values for shareholders—through the improvement in the market price of IU shares, the added value of Gotaas-Larsen shares, and the opportunity presented by the tender offer in the Canadian Utilities transaction.
- It enabled IU to concentrate its resources on higher-performance segments of the business and to position the company for growth in the future.
- It strengthened IU's remaining operations by removing the large capital requirements of the ocean shipping and utility businesses.

IU has transformed itself from a holding company to a diversified operating company. We will continue to consider acquisition possibilities, but our existing operations show no shortage of high-return investment opportunities.

Precious-Metals Mining: A good example of such an opportunity is precious-metals mining. For more than 15 years, IU has been mining silver in Canada's Northwest Territories.

In 1979, Echo Bay Mines bought an option on a gold property at Contwoyto Lake near the Arctic Circle, 190 miles east of the silver mining operations at Port Radium. Last September, after extensive analysis by Echo Bay and its consultants, the IU Board of Directors voted to move forward with the Lupin mine, which is named for a flower that blooms on the Arctic tundra.

Our consulting geologist estimates that the property's proven, probable and possible ore reserves, in the first 650 feet

On September 1, 1980, President John Gilray Christy (right) succeeded Chairman John M. Seabrook as chief executive officer of IU. Mr. Seabrook served the company as chief executive for more than 13 years.

alone, amount to 2.7 million tons of ore and contain approximately one million troy ounces of gold. A drill core taken at more than twice that depth indicates excellent potential for additional tonnage which could extend the life of the mine.

We expect the Lupin mine to begin operations in mid-1982, producing on the order of 100,000 troy ounces of gold yearly.

Because gold prices are as difficult to forecast as sugar prices, we financed the Lupin project without debt, selling subsidiary preferred shares and warrants to buy the mine's gold, thus sharing some of the risk and potential opportunity. This $80 million (Canadian) issue was sold to Canadian investors in early February, and has now been listed on the Toronto, Montreal and Alberta stock exchanges.

Dividend: We know most of our shareholders expect rising dividends. Last July, the IU Board of Directors raised the indicated annual rate to $1.10 per common share from 95 cents, marking the 36th consecutive year in which common shareholders received a higher payout.

Outlook for 1981: There are a number of variables that could influence our results, including interest rates, sugar and silver prices, rate actions as the trucking industry consolidates, the strength of the worldwide steel industry, and the extent to which policies of the United States government stimulate or depress industrial activities. Nonetheless, we have tried to convey our sense of excitement about the future for each of IU's operating groups.

In sum, IU should have another good year in 1981, despite the lingering recession, likely double-digit inflation, and continued high interest rates. Except for the Industrial segment, we expect further improvement in operating earnings for our major groups.

IU is equipped to become one of the premier diversified service companies in the 1980s, and with the continued support of our 35,000 employees, we will do our best to ensure that the underlying value of the company's assets is reflected in greater benefits for shareholders.

John M. Seabrook

John M. Seabrook
Chairman

John Gilray Christy

John Gilray Christy
President

March 5, 1981

IU has established leadership positions in most of its major markets.

IU International has emerged from restructuring its businesses as a stronger company. Its resources now are concentrated in operations with a history of vigorous growth and the promise of high returns in the Eighties.

A diversified services company, IU is involved in five major markets—transportation, environmental, agribusiness, distribution and industrial.

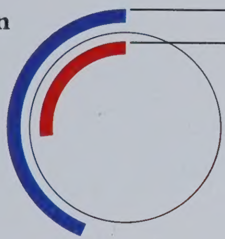
Restructuring has enabled IU to strengthen its earning power through operations that include:

- two of the nation's largest truck lines;
- the leaders in environmental services to industry, including steel mills worldwide and coal-fired power plants in the United States, and the nation's third largest water company;
- the world's largest producer of macadamia nuts and a leader in sugar and molasses;
- leading distributors of paper and food products for commercial and institutional customers in the Southeast;
- major manufacturers of valves and piping systems for the energy and processing industries and a growing precious-metals mining company.

IU has years of experience in each of its major business areas and has established a record of success in all of them.

Each operating company strives to understand its markets thoroughly, to develop products and services that meet demand most profitably, to pursue market leadership and to monitor the business environment for new opportunities.

Transportation Services



Revenues: 44%
Operating Earnings: 26%

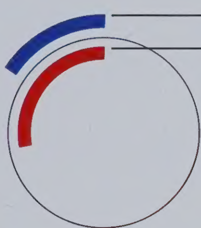
Ranked by revenues, Ryder Truck Lines is the nation's fifth largest motor carrier, and Pacific Intermountain Express (P-I-E) is sixth. They serve almost all major cities in the United States and gateway cities in Canada through a network of nearly 400 general commodity terminals. Ryder, with its Helms Express and Byrns Motor Express divisions, and P-I-E are continuing to expand rapidly.

Environmental

Revenues: 11%
Operating Earnings: 21%

International Mill Service reclaims scrap metal from slag and recycles the remaining material as construction aggregate in over 70 steel mills in 16 countries. Conversion Systems builds and operates facilities that convert pollutants from coal-fired power plants and other industrial wastes into stable materials for landfill and other uses. General Waterworks provides water services to 268,000 customers in 13 states.

Agribusiness



Revenues: 16%
Operating Earnings: 29%

C. Brewer is one of the major sugar producers in Hawaii and the world's largest grower and marketer of macadamia nuts. It also grows spices, coffee, rice and guava and is one of the world's leading marketers of industrial-grade molasses. The company sells chemicals and fertilizers and is engaged in selective land development in Hawaii, where C. Brewer owns about 99,000 acres and leases about 44,000 more.

Distribution Services

Revenues: 20%
Operating Earnings: 8%

Unijax supplies paper products, packaging and maintenance items to commercial and industrial customers and printers in 20 states. Biggers Brothers distributes food products to restaurants, institutions, hotels and fast-food operations in five southeastern states.

Industrial & Other

Revenues: 9%
Operating Earnings: 16%

Southwest Fabricating & Welding Company is a leading pipe fabricator serving the power and processing industries. Hills-McCanna Company makes valves for industrial uses. Echo Bay Mines operates precious-metals mining properties in northern Canada. TAS Communications Services provides telephone answering, paging, and security alarm services.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The dependable service provided by both Ryder and P-I-E is the basis of their rapid growth.

More than five million shipments are delivered by IU's truck lines every year.

In millions	1980	1979	1978
Revenues	**$989.1**	$943.0	$798.0
Operating Earnings	**59.7**	63.0	59.5
Invested Capital	**213.6**	209.0	171.9

IU's transportation services are second largest in the trucking industry, ranked by revenues, and largest ranked by tons of freight carried and ton-miles. The scope of services and capacity to meet shippers' needs exceed those of any other motor carrier.

Ryder Truck Lines and Pacific Intermountain Express operate general commodity freight services in every major business center across the nation. In the Northeast and Midwest, short- and intermediate-haul general freight service is provided by Helms Express and Byrns Motor Express.

Each of these four truck lines also includes a special commodities division—Ryder's Ranger, P-I-E's All States, Helms' Astro and Byrns' Can Am—that specializes in high-volume truckload services.

P-I-E's bulk commodities division uses tankers and other equipment to transport chemicals, petroleum products and compressed gases in the West. Rapid expansion into the East is progressing on schedule.

IU's three contract carriers—Gemini Trucking Inc., Pioneer Trucking Inc. and Customized Transportation Inc.—serve the transportation needs of large shippers under specific contractual arrangements.

The growth strategies of IU's motor carriers are based on dependable service, broad network coverage, competitive pricing, and operating capabilities that enable them to handle all of a shipper's needs, from 300 pounds to 300 truckloads.

The skill and dedication of the carriers' employees and management and the truck lines' strong financial position support the operational strengths.

Deregulation has dramatically and permanently changed the motor carrier industry, but not the need for trucking services. The speed and precision with which customers' needs are met in this changing era hold the key to success.

IU's truck lines will continue to grow because they have prepared for deregulation.

Environmental

Four coal-fired power plants near this Kentucky farm are among the many that have selected IU's waste management services.

Steel slag processed by IMS was used to build this highway in England.

In millions	**1980**	1979	1978
Revenues	**$244.3**	$224.2	$177.3
Operating Earnings	**46.5**	53.8	44.9
Invested Capital	**244.0**	234.3	211.0

IU has been involved in recycling and managing industrial waste services for more than 20 years. Two operating companies provide environmental services for industry, and a third operates water utility services.

International Mill Service provides a broad range of metal recovery and material handling services in over 70 steel mills in North and South America, Europe and the Middle East. IMS collects slag from the mills and processes it for recovery of metal for mill use before recycling the metal-free slag for practical and environmentally acceptable uses such as highway construction, railroad ballast and building material.

The geographic diversity of IMS, with about half of its operations outside of North America, helps even out effects of the steel industry's cycles.

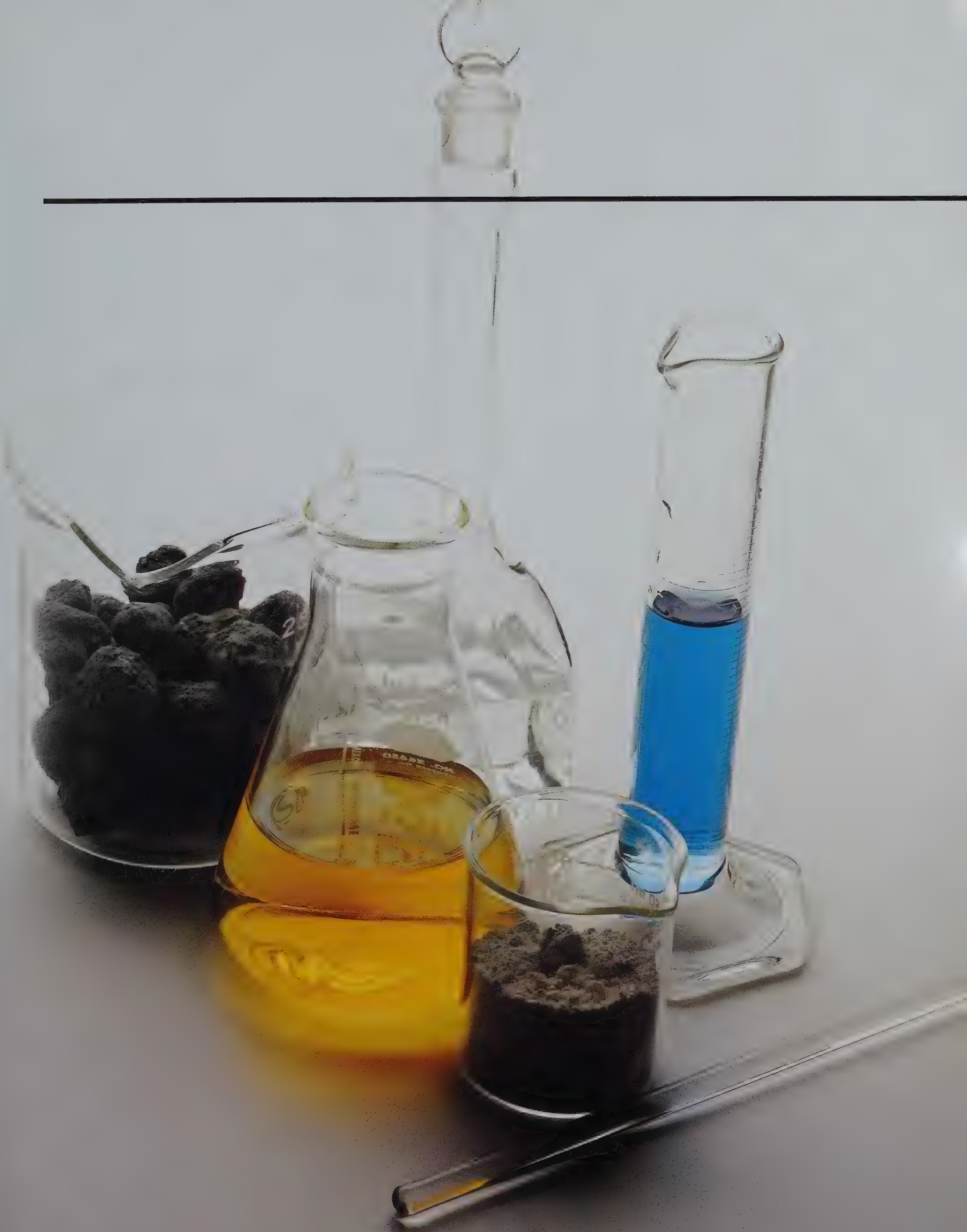
Conversion Systems is one of IU's fastest-growing subsidiaries and is the clear industry leader with 23 major contracts at 17 utilities. The company treats sulfurous sludge and ash captured by pollution control systems at coal-fired power plants. The processed material is suitable for roadbuilding, landfills and similar projects.

The waste management company also operates two facilities in Pennsylvania that treat and dispose of industrial waste in an environmentally acceptable fashion.

General Waterworks owns and operates 52 water properties in 13 states. These local water companies serve 268,000 customers who use about 83 million gallons of water daily.

With rate increases to offset inflation, General Waterworks produces a good return on investment.

IU has been providing environmental waste management services for more than 20 years.




Mauna Loa
BRITTLE
Mauna Loa
MACADAMIA NUTS
Mauna Loa
NUTS
NET WT. 6 OZ. · 170 GRAMS
TEAR OFF CORNER
Mauna Loa
NUTS


On Maui, C. Brewer grows sugar and macadamia nuts and is developing residential and commercial real estate.

The company is the world's leading producer of molasses-based feed supplements for livestock.

In millions	1980	1979	1978
Revenues	**$361.4**	$272.3	$241.8
Operating Earnings	**64.7**	24.3	1.5
Invested Capital	**227.3**	185.4	186.2

C. Brewer and Company, IU's agribusiness operation, achieved record results in 1980 with excellent returns from both its sugar and non-sugar businesses. Over the past five years, C. Brewer has divested marginal units, reduced its dependence on sugarcane, and strengthened its other agribusiness operations.

C. Brewer's Ka'u plantation led all Hawaiian plantations in crop yields in 1980 and also achieved the lowest cost. All four of C. Brewer's plantations were among the lowest-cost performers in Hawaii. The company produces a total of about 200,000 tons of raw sugar annually.

For years, C. Brewer's sugar operations have burned bagasse, a sugarcane waste, as fuel for electric generators. The company is also exploring other bioenergy projects, such as converting molasses to ethanol.

The company had strong performance from its chemical and fertilizer distribution operations, which serve Hawaiian agriculture.

The specialty foods group is particularly promising. C. Brewer has been the world's leading producer and marketer of macadamia nuts for years, selling them under its Mauna Loa® brand. The Mauna Loa product line now includes butter candy glazed macadamias, macadamia brittle, and macadamia bits for gourmet recipes.

Other crops include guava, coffee, rice, and cardamom spice.

C. Brewer is a leading marketer of molasses for livestock feeds in Europe and the United States. It also is expanding bulk terminal storage services.

C. Brewer leases about 44,000 acres under long-term agreements, and owns about 99,000 acres, in the Hawaiian islands. Some of the owned acreage is ideal for residential and business development. Properties include extensive acreage on Maui, where land values have climbed sharply. On this island, C. Brewer has completed development of an industrial park and has begun a residential subdivision.

C. Brewer and Co. is a world leader in macadamia nuts, sugar, molasses, and spices.

Distribution Services

Biggers Brothers distributes fresh and frozen foods to restaurants and institutions in the Southeast.

In millions	**1980**	1979	1978
Revenues	**$463.6**	$519.7	$573.4
Operating Earnings	**17.8**	13.0	9.6
Invested Capital	**78.2**	112.9	136.3

IU's distribution subsidiaries performed well in 1980, despite the recession, partly because most of their customers are concentrated in states with above-average growth rates.

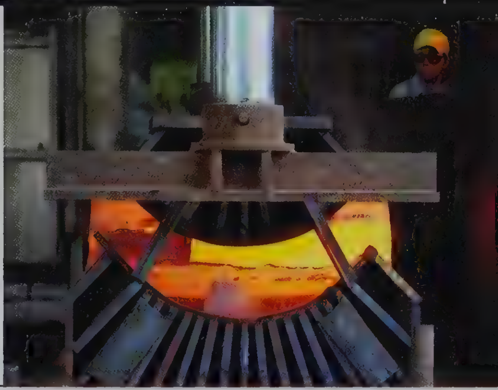
Unijax is a leading distributor of paper products for printing and industrial users in the Southeast. It markets disposable paper products and wholesale quantities of everyday items used by the lodging, health care, retail, transportation, and other service industries—items like boxes, bags, tape, and maintenance supplies.

Unijax operations include a converting division that produces envelopes and various plastic items. Another division, Hobart-McIntosh, is the largest paper merchant in the Midwest, serving book publishers and large commercial printers.

Biggers Brothers sells groceries, frozen foods, produce, fresh meat and restaurant supplies to hotels, schools, restaurants, institutions and fast-food operations in the Carolinas and neighboring areas in Georgia, Virginia and Tennessee.

IU's distribution companies are leading suppliers of paper and food in the Southeast and Midwest.

Southwest Fabricating is a leading pipe fabricator for energy-related industries worldwide.



In millions	1980	1979	1978
Revenues	**$202.8**	$169.5	$182.5
Operating Earnings	**36.1**	6.8	24.1

Manufacturing, mining and communications services are the major businesses in IU's industrial group.

The mining company, Echo Bay Mines Ltd., produced 1.3 million troy ounces of silver in 1980 from underground mines at Port Radium in Canada's Northwest Territories. Production in 1981 is expected to be somewhat less.

The new Lupin gold mine is located 190 miles east of Port Radium. It is scheduled to begin operations in mid-1982.

Echo Bay's consulting geologist estimates that proven, probable and possible ore reserves, in the first 650 feet alone, total as much as 2.7 million tons, with an average millhead grade of 0.32 troy ounces per ton. These reserves contain up to one million troy ounces of gold. According to engineering estimates, the mine will produce about 1,000 tons of ore daily at full production, or about 100,000 troy ounces of gold per year.

Site preparation has been substantially completed, and construction of underground and surface facilities is under way.

IU estimates the project's operating costs per troy ounce of gold at $200-235 in third quarter 1980 dollars, excluding royalties, taxes, depreciation and amortization.

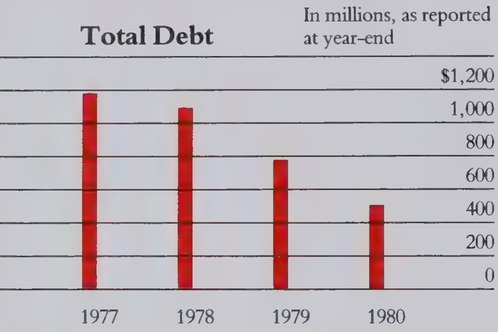
IU's manufacturing companies, Southwest Fabricating & Welding and Hills-McCanna, primarily serve energy-related industries.

Southwest Fabricating makes specially engineered piping subassemblies, components, hangers, pressure vessels and other products for natural and synthetic fuels industries, electric utilities, refiners and processing plants.

Hills-McCanna is a major manufacturer of ball, diaphragm and butterfly valves used in oil and gas refining, chemical, food and paper processing, utility services and other industries.

TAS Communications Services is Canada's largest telephone answering service company and largest personal paging system.

IU's Canadian gold mine will be in production in 1982.



Restructuring of IU: The most important financial event in 1980 was the Canadian Utilities Limited share exchange, which returned to the IU treasury 47% of the IU common stock then outstanding.

This exchange was the third major transaction in as many years to alter the structure of the company. Each has improved IU's financial position.

First, the acquisition of the 46% minority interest in C. Brewer was accomplished in 1978 through the issuance of IU's $1.36 convertible preferred stock, adding significantly to the equity capital base. Through diversification, C. Brewer has balanced its sugar operations with macadamia nuts and other agricultural products that, together with the rising value of its Hawaii properties, promise significant earnings potential.

Second, the distribution of shares of Gotaas-Larsen Shipping Corporation to IU's common shareholders was completed in November 1979. IU had concluded that Gotaas-Larsen would compete best as an independent company headquartered outside the United States. Trading in the over-the-counter market, the shipping company's shares rose from $6.50 bid at the end of 1979 to $10 bid at the end of 1980. The distribution reduced IU's consolidated debt and contingent liabilities dramatically, and it simplified IU.

Third, the Canadian Utilities transaction offered its own opportunities to IU shareholders. The shareholders were able to tender shares for $17 cash, a price significantly higher than the IU shares' trading range for the previous five years. The transaction also reduced IU's consolidated debt by approximately $286 million.

Both Gotaas-Larsen and CU are capital-intensive businesses. Their capital programs tie up investment dollars in the construction process for long periods before producing earnings. Lead times of up to six years are common for major power plant additions at CU, and long lead times also typify Gotaas-Larsen shipbuilding projects. In periods of high inflation, IU can protect its financial position better without the long construction lead times experienced routinely in these two companies.

By comparison, the Lupin gold mine, the largest capital project in IU's present plans, is expected to begin producing ore in mid-1982, less than two years after approval by the IU Board of Directors.

The Gotaas-Larsen and CU transactions have largely eliminated IU's exposure to foreign currency fluctuations. Last year's Financial Review described the unusual effects

Capital Expenditures by Major Market

In millions	1980	1979
Transportation services	**$ 64.8**	$ 70.9
Environmental:		
Environmental services	**32.3**	47.2
Water services	**18.1**	14.9
Agribusiness	**16.8**	9.6
Distribution services	**4.3**	6.2
Industrial and other	**30.8**	6.7
Total	**$167.1**	$155.5

on IU's earnings produced by Financial Accounting Standard No. 8 (FAS 8), which governs translation of foreign currencies. The confusion resulting from FAS 8 among IU shareholders has been resolved by the separation of the companies.

Capital expenditures: IU's planned capital expenditures for 1981 total $248 million. The largest single capital project is development of the Lupin gold mine, in which $61 million is expected to be invested this year. In addition, the aggressive growth of IU's truck lines will require almost $85 million for new rolling stock and terminals. These trucking companies are using the opportunities created by deregulation to increase their market shares by expanding steadily. The remainder of the capital program is earmarked for IU's other businesses, primarily for environmental services.

In 1980, capital expenditures for continuing operations were $167 million, including $16 million for the Lupin gold mine. Capital expenditures in both 1980 and 1979 are given in the table above.

Financing: In 1980, the IU operating companies funded their capital programs through retained earnings and issuance of their own debt. Capital programs in 1981 will be funded in the same manner. Moreover, most subsidiaries pay dividends to IU.

The most significant financing initiated during 1980, and concluded shortly after year-end, was the sale of 1.6 million units of Echo Bay Mines Ltd. preferred shares with warrants to buy gold from IU's mine. Proceeds of the $80 million (Canadian) issue, together with retained earnings from Echo Bay, should provide the funds needed to bring the Lupin mine into production.

The current environment of high interest rates and strong competition for investment capital requires maximum use of special forms of financing. IU uses industrial revenue bonds and also obtains loans at rates below conventional financing costs. IU participates extensively in the money market activity which has developed in recent years, where funds are available at interest rates below the prime lending rate. IU has such facilities with over two dozen banks in the United States, Canada and Europe.

Unused committed credit facilities at year-end amounted to approximately $154 million. In management's judgment, working capital and committed credit facilities are more than ample to meet anticipated needs.

Common Shares Outstanding

Common shares outstanding on December 31, 1979	32,396,372
Shares acquired in exchange for IU's controlling interest in Canadian Utilities Limited	(16,205,517)
Shares issued for convertible stock or bonds	2,532,554
Shares sold upon exercise of options	188,628
Shares sold under Employee Stock Purchase and Employee Stock Ownership Plans	783,516
Treasury stock sales	1,414
Common shares outstanding on December 31, 1980	19,696,967

Common shares: Common shares outstanding were reduced during the year by 12.7 million shares. The table above shows the changes.

Primary earnings per share are calculated using the average of common and common equivalent shares outstanding during the reporting period. The average shares outstanding for the year 1980 were 27.2 million and for the year 1979 were 33.8 million.

Operating results in 1980: Total revenues have increased modestly over the past three years, but operating earnings and earnings from continuing operations have shown more substantial increases.

The earnings increase in 1980 reflects much higher sugar prices. World sugar prices almost doubled in 1980 because sugar production was below consumption. A surplus of sugar in the three prior years kept the market price below the cost of production for United States growers. Agribusiness operating results were also favorably affected by higher returns on macadamia nuts and gains on land sales, while the lower return on cardamom—caused by price declines and higher production costs—affected results adversely.

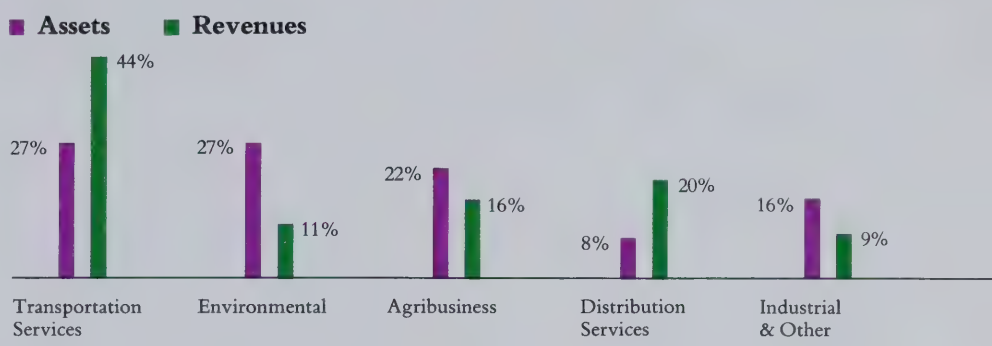
In addition, 1980 benefited from the large gain realized when forward contracts to sell silver were liquidated in the first quarter. An increase in shipments by the valve manufacturing unit also contributed to the increase.

Operating results of the distribution services group reflect disposition of the industrial supply units and an unprofitable dental supply unit in 1979. The food and paper distribution units' operating results have increased moderately, reflecting higher volume and inflationary price increases.

Trucking operations and the environmental services operations were adversely affected by the United States recession. Increases in market share by the trucking subsidiaries and rate increases could not offset the decline in market tonnage and inflationary cost pressures. Similarly, greater activity in the foreign metal recovery operations, stemming from new contracts and acquisitions made in 1979, could not offset fully the lower domestic activity caused by declines in steel production. In addition, the operating earnings of the environmental services group were restrained by start-up expenses in hazardous waste management services.

Results of the water services operations reflect volume increases and rate awards. However, year-to-year comparisons are lower because gains from divestment of water properties did not equal those of 1979.

Operating results in 1979: Operating earnings increases resulted from expansion of the trucking market, despite work



stoppages by the Teamsters and owner/operators, and improvements in the trucking subsidiaries' market share. Acquisitions and higher volume of metal recovery services, new contracts for pollution control services and higher prices for sugar, molasses and other agricultural products also contributed to the rise. Gains from sales of water utility properties and land of the agribusiness unit also were higher in 1979; 1978 included gains from sales of an office building and a New Jersey land tract. Production problems at a valve manufacturing plant expansion and losses on sales of two industrial distribution units and a dental supply unit reduced 1979 results. Year-to-year comparisons of operating results reflect the sale of an unprofitable potato growing operation early in 1979 and losses in 1978 related to the closing of a sugar mill and storm damage to a macadamia nut orchard.

Expenses: Interest and debt expense in 1980 reflects the increases in average borrowing levels and interest rates. Borrowing levels in 1980 include the capital contribution made to Gotaas-Larsen before its distribution to IU's common shareholders. In 1979, higher rates were offset by lower borrowing levels.

Corporate expenses in 1980 include accrued compensation expense related to the stock appreciation rights that were attached to stock options.

Minority interest relates principally to a finance subsidiary's issue of floating rate preferred stock late in 1978.

Taxes: Increases in 1980 income taxes primarily reflect the higher earnings of the agribusiness, mining and valve manufacturing subsidiaries, and are offset in part by higher investment tax credits. The 1979 increase in the tax provision resulted from the improved earnings of four major market groups, primarily agribusiness, offset by a lower United States statutory tax rate and higher investment tax credits. The effective tax rate on income from continuing operations, before deduction of minority interest and after adjustment of foreign tax credits, was approximately 40% in 1980, 42% in 1979, and 47% in 1978.

Trends: Trucking markets will reflect economic activity in 1981, and economists predict only moderate growth. IU's trucking operations will also be affected by deregulation.

Sugar and silver prices have fluctuated widely, and 1981 levels cannot be predicted with assurance. IU's 1981 sugar and silver profits may not match 1980 levels.

Interest rates also moved up and down in 1980. For planning purposes, it has been assumed that rates will be about the same in 1981 as in 1980.

Sources of Revenues and Earnings

	1980		1979*	
In thousands, except per share data	**Revenues**	**Operating Earnings**	Revenues	Operating Earnings
Contributions by major market:				
Transportation services	**$ 989,075**	**$ 59,668**	$ 942,961	$ 63,025
Environmental:				
Environmental services	**181,175**	**23,616**	159,478	28,120
Water services	**63,138**	**22,928**	64,692	25,704
Agribusiness	**361,372**	**64,654**	272,331	24,308
Distribution services	**463,607**	**17,785**	519,664	12,950
Industrial and other	**202,859**	**36,138**	169,591	6,844
Total revenues	**$2,261,226**		$2,128,717	
Operating earnings		**224,789**		160,951
Corporate expenses		**(21,407)**		(14,838)
Interest and debt expense		**(56,070)**		(44,348)
Foreign currency adjustments		**(498)**		(2,990)
Income taxes		**(61,892)**		(42,013)
Minority interest		**(8,865)**		(7,260)
Earnings from continuing operations		**$ 76,057**		$ 49,502
Primary earnings per share from continuing operations		**$ 2.72**		$ 1.36

*Restated to segregate discontinued electric and gas utility operations.

1978*		1977*		1976*	
Revenues	Operating Earnings	Revenues	Operating Earnings	Revenues	Operating Earnings
$ 798,002	$ 59,497	$ 637,652	$ 44,702	$ 484,340	$31,394
112,654	23,925	90,512	16,142	67,984	7,357
64,670	20,982	60,792	17,794	55,744	16,185
241,781	1,554	235,974	19,189	254,212	(9,055)
573,451	9,592	544,269	3,509	510,835	4,297
182,479	24,101	177,103	23,750	152,626	25,433
$1,973,037		$1,746,302		$1,525,741	
	139,651		125,086		75,611
	(12,286)		(10,810)		(8,779)
	(47,358)		(45,282)		(39,711)
	(2,018)		(1,958)		(1,144)
	(38,252)		(32,019)		(8,096)
	(2,722)		(2,730)		3,780
	$ 37,015		$ 32,287		$21,661
	$ 1.05		$ .94		$ .62

Selected Financial Data

In millions, except per share data	1980	1979*	1978*	1977*	1976*
Revenues and other income	**$2,261.2**	$2,128.7	$1,973.0	$1,746.3	$1,525.7
Earnings from continuing operations:					
Total	**$ 76.0**	$ 49.5	$ 37.0	$ 32.3	$ 21.7
Per share:					
Primary	**$ 2.72**	$ 1.36	$ 1.05	$ .94	$ .62
Assuming full dilution	**2.51**	1.30	1.01	.90	.60
Assets—continuing operations	**$1,385.6**	$1,299.9	$1,230.4	$1,180.4	$1,182.4
Investment in ocean shipping and electric and gas utility subsidiaries	**—**	170.4	370.3	398.7	349.4
Total assets	**$1,385.6**	$1,470.3	$1,600.7	$1,579.1	$1,531.8
Invested capital:					
Shareholders' equity:					
Continuing operations	**$ 278.4**	$ 254.3	$ 296.6	$ 256.4	$ 273.3
Discontinued operations	**—**	170.4	370.3	398.7	349.4
Total	**$ 278.4**	$ 424.7	$ 666.9	$ 655.1	$ 622.7
Total debt	**508.8**	496.8	392.1	511.9	525.7
Minority interest in subsidiaries	**108.8**	108.0	108.4	64.6	62.2
Total	**$ 896.0**	$1,029.5	$1,167.4	$1,231.6	$1,210.6
Capital expenditures	**$ 167.1**	$ 155.5	$ 129.7	$ 109.6	$ 97.5
Cash dividends per common share**	**$ 1.025**	$ .95	$ .925	$ .90	$ .875
Year-end closing price of common stock	**17½**	11⅛	10¼	11¼	11⅞
Average common and common equivalent shares	**27.2**	33.8	33.2	33.0	32.8

*Restated to segregate discontinued electric and gas utility operations.

**Shareholders of record on December 7, 1979, also received one-third share of Gotaas-Larsen Shipping Corporation for each share of common stock held. Gotaas-Larsen Shipping Corporation traded at a bid of 6½ at December 31, 1979 and 10 at December 31, 1980.

Consolidated Statements of Earnings

In thousands, except per share data, for the years ended December 31,	1980	1979*	1978*
Revenues and other income:			
Product sales	$1,148,933	$1,064,069	$1,052,089
Service revenues	1,090,466	1,041,144	899,355
Other income	21,827	23,504	21,593
	2,261,226	2,128,717	1,973,037
Costs and expenses:			
Cost of products sold, excluding depreciation and amortization	852,045	832,896	826,111
Other operating costs and expenses, excluding depreciation and amortization	886,210	838,472	714,712
Selling, general and administrative expenses, excluding depreciation and amortization	242,832	245,372	243,146
Depreciation and amortization	76,757	65,864	61,703
Interest and debt expense	56,070	44,348	47,358
Foreign currency adjustments	498	2,990	2,018
Income taxes	61,892	42,013	38,252
Minority interest	8,865	7,260	2,722
	2,185,169	2,079,215	1,936,022
Earnings from continuing operations	76,057	49,502	37,015
Discontinued operations:			
Earnings (loss) from operations	7,133	17,518	(24,955)
Gain on disposition of electric and gas utility	96,146	—	—
	103,279	17,518	(24,955)
Earnings before extraordinary item and accounting changes	179,336	67,020	12,060
Extraordinary item	(31,319)	—	—
Cumulative effects of changes in accounting principles	(3,318)	—	—
Net earnings	$ 144,699	$ 67,020	$ 12,060
Earnings per share:			
Primary:			
Continuing operations	$ 2.72	$ 1.36	$ 1.05
Discontinued operations	3.80	.52	(.75)
Extraordinary item	(1.15)	—	—
Cumulative effects of changes in accounting principles	(.12)	—	—
	$ 5.25	$ 1.88	$ .30
Assuming full dilution:			
Continuing operations	$ 2.51	$ 1.30	$ 1.01
Discontinued operations	3.41	.46	(.69)
Extraordinary item	(1.04)	—	—
Cumulative effects of changes in accounting principles	(.11)	—	—
	$ 4.77	$ 1.76	$ **

*Restated to segregate discontinued electric and gas utility operations.
**Not reported for 1978 due to anti-dilutive effect of convertible securities.
See accompanying Notes to Financial Statements.

Consolidated Balance Sheets

In thousands, December 31,	1980	1979*
Assets		
Current assets:		
Cash	**$ 85,676**	$ 83,608
Accounts receivable, less allowance (1980–$5,996; 1979–$6,531)	**279,392**	269,391
Inventories	**160,315**	156,463
Prepaid expenses and other current assets	**35,600**	40,811
Total current assets	**560,983**	550,273
Investment in electric and gas utility subsidiary	**—**	170,441
Long-term receivables and investments	**98,805**	75,904
Property, plant and equipment	**1,038,844**	931,444
Less accumulated depreciation and amortization	**363,112**	316,282
Net property, plant and equipment	**675,732**	615,162
Deferred charges, less amortization	**33,100**	16,072
Intangibles, net, and other assets	**16,979**	42,408
Total assets	**$1,385,599**	$1,470,260
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	**$ 69,051**	$ 83,296
Accounts payable—trade	**93,215**	104,659
Income taxes	**50,168**	45,790
Long-term debt—current maturities	**43,915**	39,223
Other current and accrued liabilities	**163,572**	149,726
Total current liabilities	**419,921**	422,694
Long-term debt, excluding current maturities	**395,847**	374,256
Other liabilities	**85,379**	80,266
Income taxes	**13,592**	—
Deferred income taxes	**54,177**	33,166
Contributions in aid of utility construction	**29,479**	27,176
Minority interest in subsidiaries, including $101,000 of preferred stock	**108,777**	108,022
Shareholders' equity:		
Series preferred stock	**32,935**	50,501
Series preference stock	**10,787**	14,159
Common stock, issued: 1980–35,811 shares, 1979–33,090 shares; outstanding: 1980–19,697 shares, 1979–32,396 shares	**42,973**	39,708
Additional paid-in capital	**160,550**	138,693
Retained earnings	**325,274**	215,409
	572,519	458,470
Less shares in treasury, at cost	**294,092**	33,790
Total shareholders' equity	**278,427**	424,680
Total liabilities and shareholders' equity	**$1,385,599**	$1,470,260

*Restated to segregate discontinued electric and gas utility operations.
See accompanying Notes to Financial Statements.

Consolidated Statements of Changes in Financial Position

In thousands, for the years ended December 31,	**1980**	1979*	1978*
Sources of funds:			
Earnings from continuing operations	**$ 76,057**	$ 49,502	$ 37,015
Add (deduct) items not requiring (providing) current funds:			
Depreciation and amortization	**76,757**	65,864	61,703
Gain on disposition of property, plant and equipment	**(5,917)**	(14,119)	(9,686)
Provision for deferred income taxes	**19,448**	6,043	4,269
Other, net	**16,574**	9,703	9,212
Cumulative effects of changes in accounting principles	**(3,318)**	—	—
Provided from continuing operations	**179,601**	116,993	102,513
Disposition of investment in electric and gas utility subsidiary	**271,494**	—	—
Disposition of property, plant and equipment	**19,743**	107,100	42,340
Disposition of other noncurrent assets	**11,604**	21,144	21,377
Issuance of long-term debt	**204,129**	185,530	56,502
Increase in other liabilities	**17,758**	8,443	18,394
Contributions in aid of utility construction	**1,342**	3,489	8,457
Issuance of capital stock, including treasury stock	**32,210**	11,125	775
Issuance of preferred stock to acquire minority ownership in a subsidiary	—	—	35,789
Issuance of capital stock by a subsidiary	—	—	102,028
Total sources	**737,881**	453,824	388,175
Uses of funds:			
Purchase of property, plant and equipment	**151,097**	155,515	129,655
Acquisition of other noncurrent assets	**64,551**	52,620	16,070
Contribution to ocean shipping subsidiary, net of repayment of intercompany liabilities	—	56,439	—
Increase (decrease) in investment in ocean shipping and electric and gas utility subsidiaries	**(6,719)**	3,473	(3,427)
Reduction of long-term debt	**182,340**	135,113	155,257
Reduction of other liabilities	**7,155**	13,944	10,657
Reduction of contributions in aid of utility construction due to sale of properties	**119**	41,490	—
Purchase of minority ownership in a subsidiary	—	—	36,678
Acquisition of treasury stock	**276,148**	—	—
Conversion of preferred stock	**18,380**	8,572	708
Dividends on preferred and common stock	**28,562**	33,493	30,495
Other	**2,765**	2,471	1,929
Total uses	**724,398**	503,130	378,022
Increase (decrease) in working capital	**$ 13,483**	$ (49,306)	$ 10,153

*Restated to segregate discontinued electric and gas utility operations.
See accompanying Notes to Financial Statements

Analysis of Changes in Working Capital

In thousands, for the years ended December 31,	**1980**	1979*	1978*
Changes in working capital:			
Cash	**$ 2,068**	$ 22,714	$ 726
Accounts receivable, less allowance	**10,001**	(1,297)	43,152
Inventories	**3,852**	11,899	856
Prepaid expenses and other current assets	**(5,211)**	13,339	475
Notes payable	**14,245**	(48,001)	(10,171)
Accounts payable—trade	**11,444**	(14,468)	(19,516)
Income taxes	**(4,378)**	(17,774)	(13,050)
Long-term debt—current maturities	**(4,692)**	(6,091)	32,150
Other current and accrued liabilities	**(13,846)**	(9,627)	(24,469)
Increase (decrease) in working capital	**$13,483**	$(49,306)	$10,153

*Restated to segregate discontinued electric and gas utility operations.
See accompanying Notes to Financial Statements.

Consolidated Statements of Additional Paid-In Capital

In thousands, for the years ended December 31,	**1980**	1979	1978
Amount at beginning of year	**$138,693**	$137,440	$134,272
Capital in excess of par or stated value of shares issued upon conversion of convertible securities and exercise of employee stock options	**21,927**	11,753	4,199
Reduction in par value of common stock	**—**	1,631	—
Distribution of common stock of ocean shipping subsidiary	**—**	(12,225)	—
Other adjustments, principally relating to subsidiaries	**(70)**	94	(1,031)
Amount at end of year	**$160,550**	$138,693	$137,440

See accompanying Notes to Financial Statements.

Consolidated Statements of Retained Earnings

In thousands, for the years ended December 31,	**1980**	1979	1978
Amount at beginning of year	**$215,409**	$448,468	$467,016
Net earnings	**144,699**	67,020	12,060
Dividends:			
$5.00 preferred series	**(448)**	(448)	(448)
$1.25 convertible preferred series	**(445)**	(676)	(766)
$1.36 convertible preferred series	**(1,350)**	(2,451)	(759)
Common (per share: 1980–$1.025; 1979–$0.95; 1978–$0.925)	**(26,319)**	(29,918)	(28,522)
	(28,562)	(33,493)	(30,495)
Distribution of common stock of ocean shipping subsidiary	**—**	(266,163)	—
Treasury stock transactions	**(6,272)**	(423)	(113)
Amount at end of year	**$325,274**	$215,409	$448,468

See accompanying Notes to Financial Statements.

Note 1: Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Corporation and substantially all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Investment in an unconsolidated majority-owned insurance subsidiary and investments in companies, cooperatives and joint ventures owned 20% or more are accounted for on the equity basis; the Corporation's equity in the earnings of such companies is included in consolidated earnings.

The financial statements have been restated to segregate electric and gas utility operations (see Note 4). Certain items have been reclassified to conform to current classifications.

Revenue Recognition: Sugar produced in Hawaii is sold to a nonprofit marketing cooperative in which the agribusiness subsidiary has an approximate 23% interest. Revenues recognized are based on the current average cost per ton or estimated market value per ton, if lower. Under the equity method of accounting for the investment in the cooperative, any estimated profit on sugar is deferred until sold by the cooperative.

Inventories: Inventories generally are stated at the lower of cost or market. Due to diversified operations, several bases of determining cost are used.

In accordance with industry practice in Hawaii, the costs of growing Hawaiian sugarcane are charged against earnings as incurred.

Property, Plant and Equipment: Property, plant and equipment are recorded at cost. Depreciation is provided principally on the straight-line basis over the estimated useful lives of the related assets. Upon sale of utility properties and sale or retirement of non-utility properties, costs and related depreciation are eliminated and gains or losses are recorded. Upon retirement of utility properties, costs are transferred to accumulated depreciation.

Intangibles: Intangibles consist of net excess of cost of investments in subsidiaries over underlying net assets and other intangibles (see Note 3).

Intangibles having a limited life are amortized over their estimated useful lives. The net excess of the cost of investments in subsidiaries over the net assets acquired are being amortized over periods from 10 to 40 years, except that portion relating to acquisitions before October 31, 1970, as long as there is no present indication that such intangibles have a determinable life or existence.

Income Taxes: Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between financial statement and taxable income, except that a water utility subsidiary claims depreciation and certain other expenses for income tax purposes in excess of the amounts recorded in the accounts without providing for the related income tax deferral. In setting rates, this utility recovers only income taxes payable currently.

Investment tax credits are accounted for by the flow-through method, except that a water utility subsidiary allocates the credits over the depreciable lives of the related assets and a subsidiary which is the lessor under a leveraged lease allocates the credit over the lease term.

Certain subsidiaries operate in countries where their earnings are substantially free of taxation or are taxed at rates effectively lower than in the United States. Income taxes have not been provided on that portion of the earnings of such subsidiaries considered to be continuously reinvested outside the United States.

Earnings Per Share: Primary earnings per share, computed after deducting the dividend requirement on preferred stock, are based on the average number of shares of both common and Special Stock, Series A outstanding each year and the dilutive effect of stock option, including stock appreciation rights, and stock purchase plans. The Special Stock, Series A has been included using the conversion rates applicable during each period.

Earnings per share assuming full dilution reflect, in addition to the primary computation, the dilutive effect of (a) the conversion of convertible preferred stock and convertible bonds after the elimination of the dividend requirements on such convertible preferred stock and the interest, net of income taxes, applicable to the convertible bonds, and (b) the conversion of Special Stock, Series A at the rate in effect in 1988.

Note 2: Changes in Accounting Principles

In 1980, a policy of accruing vacation pay as earned for all employees was adopted in accordance with a recently issued Statement of the Financial Accounting Standards Board (FAS 43). In addition, a trucking subsidiary changed its method of revenue recognition adopting a policy of recognizing revenue on the basis of proportional delivery performance to provide a better matching of revenue and expense; previously this subsidiary had recorded revenue on the date freight was picked up. The cumulative effect to December 31, 1979 of accruing vacation pay was to reduce net earnings by $2,116,000, or $.08 per share, after taxes of $1,865,000, and the cumulative effect of the change in revenue recognition was to reduce net earnings by $1,202,000, or $.04 per share, after taxes of $1,116,000.

The effects on 1980 earnings from continuing operations and the pro forma effects of these changes on 1979 and 1978 net earnings are not material.

Note 3: Extraordinary Item

The extraordinary item resulted from a third quarter write-off of the unamortized costs of the U.S. operating rights of the Corporation's two motor carrier subsidiaries. The write-off reflects the permanent impairment in market value of operating rights resulting from liberalized trucking industry entry requirements in connection with the deregulation provisions of the Motor Carrier Act of 1980. The write-off will be deducted in the 1980 tax return; however, no tax benefit has been assumed for financial statement purposes since there is no assurance that the deduction will be sustained. If the deduction is not ultimately sustained, the related tax will be paid subsequent to 1981; therefore, the tax has been reflected as a noncurrent liability in the accompanying balance sheet.

Note 4: Disposition of Electric and Gas Utility Subsidiary

On June 19, 1980, the Corporation exchanged its 58.1% interest in Canadian Utilities Limited (CU), an electric and gas utility subsidiary, for 16,205,517 shares of the Corporation's common stock. A net gain of $96,146,000 was realized on this transaction, after income taxes and expenses related to the exchange of approximately $4,000,000.

The following is a summary of the net assets, excluding intercompany items, of CU at December 31, 1979:

In thousands	
Current assets	$113,300
Net property, plant and equipment	783,420
Other assets	34,115
Current liabilities	(118,262)
Long-term debt, excluding current maturities	(281,054)
Other liabilities	(98,891)
Minority interest in CU's subsidiaries	(36,308)
Net assets	396,320
Minority interest in CU	(225,879)
Investment, at equity	$170,441

The following is a summary of the results of CU's operations after foreign currency adjustments:

In thousands	**Jan. 1 to June 19, 1980**	Year ended Dec. 31, 1979	Year ended Dec. 31, 1978
Revenues and other income	**$278,006**	$534,435	$487,974
Costs and expenses, including foreign currency adjustments	**(243,602)**	(480,689)	(415,969)
Income taxes	**(11,063)**	(14,912)	(17,567)
Net earnings	**$ 23,341**	$ 38,834	$ 54,438
Equity in net earnings	**$ 11,626**	$ 18,618	$ 28,591

Note 5: Distribution of Ocean Shipping Subsidiary

On November 27, 1979 the shareholders of the Corporation approved the distribution of the common stock of a wholly-owned Liberian subsidiary, Gotaas-Larsen Shipping Corporation (GLSC), to the common shareholders of the Corporation. The basis of the distribution was one share of GLSC common stock for each three shares of the Corporation's common stock held.

The distribution of GLSC common stock, accounted for as a partial liquidation as defined by Maryland law, was recorded by a charge to paid-in capital in the amount of $12,225,000 and to retained earnings in the amount of $266,163,000.

The following is a summary of the net assets of GLSC at November 27, 1979 excluding intercompany liabilities of $22,179,000. Prior to the distribution, the Corporation contributed $72,200,000 to GLSC which was used, in part, to repay intercompany liabilities.

In thousands	Nov. 27, 1979
Current assets	$ 82,153
Net investment in direct financing leases	263,795
Net property, plant and equipment	368,377
Other assets	57,930
Current liabilities	(81,859)
Long-term debt, excluding current maturities	(401,622)
Other liabilities	(10,386)
Net assets	$278,388

The following is a summary of the results of the discontinued ocean shipping operations including, in 1979, income taxes and expenses related to the distribution aggregating $7,518,000.

In thousands	Jan. 1 to Nov. 27, 1979	Year ended Dec. 31, 1978
Revenues and other income	$158,606	$105,731
Costs and expenses	(165,453)	(163,151)
Income tax benefits	5,747	3,874
Net loss	$ (1,100)	$ (53,546)

In 1978, GLSC provided for losses of $18,100,000 in connection with the decision to sell a large oil tanker, $26,862,000 as a result of an agreement to cancel a construction contract for a liquefied natural gas carrier and $4,804,000 for the remaining obligation on a charter-in agreement extending through 1980 for an unemployed vessel. In 1980, earnings from discontinued operations include approximately $4,493,000 of taxes.

The Corporation has idemnified GLSC from liability for payment of any deficiencies in United States taxes arising out of the operations of GLSC prior to November 27, 1979. In addition, the Corporation has also agreed to extend up to $30,000,000 under an unsecured three year revolving credit facility. Loans under this agreement will bear interest at 1½% over the London Interbank rate and may be converted at the end of three years to five year term notes payable in equal quarterly installments. At December 31, 1980, $19,000,000 was outstanding under this facility.

Note 6: Acquisitions and Dispositions

On August 14, 1978, the Corporation acquired the 46% minority ownership in C. Brewer and Company, Limited (Brewer) in exchange for 2,136,638 shares of the Corporation's $1.36 convertible preferred stock valued at $16.75 per share. The acquisition was accounted for as a purchase. The excess of the value assigned to the net assets acquired over the value of the stock issued was allocated proportionately to noncurrent assets. The results of operations of Brewer were included in consolidated net earnings based upon the 100% ownership from the merger date. If this acquisition had occurred on January 1, 1978, the Corporation's net earnings and earnings per share from continuing operations for 1978 would not have been significantly different than the reported amounts.

In addition, during 1980, 1979 and 1978, the Corporation acquired several smaller companies in purchase transactions for notes and cash amounting to an aggregate consideration of $312,000, $8,437,000 and $5,002,000, respectively. The operations of these companies are not significant.

During the three years ended December 31, 1980, in addition to the distribution of the ocean shipping subsidiary and the disposition of the electric and gas utility subsidiary, the Corporation disposed of certain water utility properties, a dental supply company, foreign freight-forwarding companies, a potato products company, three industrial distribution companies and certain other small companies. The contribution to revenues and net earnings, excluding gains and losses on disposition, of such companies was as follows:

In thousands	**1980**	1979	1978
Revenues	**$30,589**	$137,393	$276,690
Net earnings (loss)	**365**	1,513	(9,571)

Note 7: Other Income

Included in other income are the following significant items:

In thousands	**1980**	1979	1978
Interest and dividends	**$10,990**	$14,573	$7,038
Gain (loss) on disposition of investments and certain other assets	**(747)**	1,015	9,825
Operations of divested subsidiaries	**—**	(2,132)	(4,082)

During the three years ended December 31, 1980, the Corporation sold several subsidiaries and certain other assets at a gain (loss) of $(747,000) in 1980, $1,015,000 in 1979 and $9,825,000 after application of $4,338,000 of reserves provided in prior years in 1978. Income tax benefits of $402,000, $1,741,000 and $213,000 were recognized in 1980, 1979 and 1978, respectively, with respect to these dispositions.

The sales agreement covering a water utility property in southern Florida sold in 1979 provides for additional payments based on customer connections to the facilities through 1990. Included in the gain (loss) on disposition of investments and certain other assets is $2,084,000 in 1980 and $2,200,000 in 1979 attributable to such customer connections.

The pretax operating results of divested subsidiaries, except ocean shipping and electric and gas utility operations, were included in other income from the respective dates the Corporation committed itself to dispose of the companies.

In addition, during 1978, the agribusiness subsidiary wrote off deferred charges applicable to orchards damaged by severe weather and the undepreciated cost of a closed sugar mill amounting to $1,916,000. These charges were included in other operating costs and expenses; tax benefits of $1,435,000 were recognized with respect to these items.

Note 8: Inventories

Inventories at December 31, 1980 and 1979 are summarized as follows:

In thousands	**1980**	1979
Finished products	**$ 48,810**	$ 44,550
Work in process	**17,608**	18,229
Raw materials and supplies	**44,009**	48,059
Merchandise and commodities	**49,260**	44,907
Other	**628**	718
	$160,315	$156,463

Certain items included in merchandise and commodities inventories are valued on the last-in, first-out (LIFO) basis, which is less than the cost of such inventories valued on the first-in, first-out (FIFO) basis by approximately $12,609,000 and $9,759,000 at December 31, 1980 and 1979, respectively.

The December 31, 1980 and 1979 book basis of LIFO inventories exceeded the tax basis by $1,951,000. The difference resulted from the application of purchase accounting to the acquisition of the minority interest in Brewer. Income for Federal tax purposes for 1978 was higher by $426,000 because of this difference in basis.

Note 9: Long-Term Receivables and Investments

The total carrying values of long-term receivables and investments at December 31, 1980 and 1979 are shown in the following table:

In thousands	1980	1979
Long-term receivables and restricted cash deposits	**$50,008**	$33,331
Land held for sale or development	**8,560**	8,463
Unconsolidated subsidiaries and affiliates	**14,928**	15,448
Cooperatives and joint ventures	**20,543**	17,047
Other investments	**8,857**	2,241
Provision for loss	**(4,091)**	(626)
	$98,805	$75,904

Long-term receivables include secured notes received on the sale of certain distribution subsidiaries.

Undistributed earnings of unconsolidated subsidiaries and 50% or less owned interests reflected in retained earnings amounted to approximately $7,687,000 and $5,412,000 at December 31, 1980 and 1979, respectively.

Note 10: Property, Plant and Equipment

A summary of property, plant and equipment at December 31, 1980 and 1979 is shown in the following table:

In thousands	1980	1979
Transportation services	**$ 379,186**	$335,103
Environmental:		
Environmental services	**168,319**	141,474
Water services	**240,000**	228,071
Agribusiness	**122,975**	111,362
Distribution services	**40,998**	39,060
Industrial and other	**87,366**	76,374
	$1,038,844	$931,444

Interest expense of $1,217,000 in 1980, $138,000 in 1979 and $162,000 in 1978, relating principally to the development of a gold mine beginning in 1980 and the construction of water services plant and equipment, was capitalized.

Note 11: Debt

Short-term notes payable at December 31, 1980 and 1979, of which $1,661,000 and $13,280,000, respectively, are secured, have an average interest rate of 20% and 13%, respectively, and represent borrowings by subsidiaries under lines of credit. At December 31, 1980, unused short-term credit facilities amounted to $86,000,000 and unused long-term credit facilities amounted to $68,000,000.

Long-term debt at December 31, 1980 and 1979 payable by consolidated subsidiaries is summarized in the following table. Interest rates on approximately $193,000,000 of long-term debt outstanding at December 31, 1980 are based on United States prime, Eurodollar, or other fluctuating interest rates.

In thousands	1980	1979
First mortgage bonds:		
Due 1981 to 1996; 4⅞% to 8¾% (weighted average interest rate 7.3% in 1980, 6.9% in 1979)	**$ 40,901**	$ 46,562
Other:		
Secured:		
Due 1981 to 2007; 2% to 23.5% (weighted average interest rate 10.5% in 1980, 10.3% in 1979)	**95,834**	88,970
Unsecured:		
Due 1981 to 2000; 2% to 24.7% (weighted average interest rate 14.7% in 1980, 12.3% in 1979)	**303,027**	277,947
	439,762	413,479
Less current maturities	**43,915**	39,223
	$395,847	$374,256

The mortgage bonds and secured debt are subject to various indentures and agreements requiring, among other things, either the mortgaging of properties, the pledging of investments in subsidiaries, or in certain instances, a combination of both. At December 31, 1980, property, plant and equipment with a total carrying value of $102,809,000 secured such debt. Sinking fund requirements and installments of long-term debt maturing in the years 1982, 1983, 1984 and 1985 amount to approximately $114,675,000, $55,418,000, $32,166,000 and $64,059,000, respectively, after deducting bonds which have been repurchased.

Amortization of debt discount and expense for the years 1980, 1979 and 1978 was $645,000, $832,000 and $882,000, respectively.

The Corporation maintains cash balances at certain banks related to the outstanding balance of certain bank loans. At December 31, 1980, the bank-collected balance under such arrangements, as reported by the respective banks, was approximately $15,000,000 and the related book balance was approximately $7,000,000. The aggregate average bank-collected balance maintained during 1980, as reported by the respective banks, was approximately $17,000,000 and the related average month-end book balance was approximately $(3,000,000). These funds are not subject to withdrawal restrictions.

Certain bond indentures and note agreements which the Corporation has guaranteed require the maintenance of specified ratios of net worth and total capitalization, as therein defined, and limit the payment of dividends on capital stock of the Corporation. Under the most restrictive of these agreements, which specifies minimum net worth requirements, approximately $45,000,000 of the Corporation's retained earnings at December 31, 1980 was free from restriction. In addition, certain subsidiaries are restricted by loan agreements and certain regulatory agencies as to the sale or disposition of certain assets or investments, indebtedness, maintenance of working capital, minimum net worth and dividends. At December 31, 1980, retained earnings of subsidiaries free from restriction significantly exceeded $45,000,000.

Note 12: Income Taxes

The components of the consolidated provision for income taxes applicable to continuing operations for the three years ended December 31, 1980 are as follows:

In thousands	1980	1979	1978
Current:			
Federal	**$27,188**	$28,502	$21,858
State and local	**6,006**	5,516	5,352
Non-United States	**13,726**	9,038	11,522
Investment tax credit	**(8,724)**	(7,558)	(6,105)
	38,196	35,498	32,627
Deferred:			
Federal	**16,454**	5,084	4,258
State and local	**2,036**	380	62
Non-United States	**5,206**	1,051	1,305
	23,696	6,515	5,625
	$61,892	$42,013	$38,252

Pre-tax earnings from continuing operations generated from non-United States operations were $59,149,000, $20,778,000 and $15,489,000 in 1980, 1979 and 1978, respectively.

The sources of the differences between consolidated earnings for financial statement purposes and tax purposes and the tax effects are as follows:

In thousands	1980	1979	1978
Excess of tax over book depreciation	**$11,198**	$5,746	$2,749
Foreign tax credit	**—**	—	3,079
Earnings on long-term contracts	**3,022**	2,857	1,661
Recovery of (provision for) loss on investments and other assets	**(354)**	(1,382)	1,197
Provision for self-insurance claims	**(1,763)**	(1,500)	(1,794)
Excess of book over tax (tax over book) revenues	**5,265**	1,059	(195)
Future repatriation of foreign earnings of subsidiaries	**5,470**	—	—
Other	**858**	(265)	(1,072)
	$23,696	$6,515	$5,625

The consolidated effective tax rates of 44.9%, 45.9% and 50.8% for the years 1980, 1979 and 1978, respectively, varied from the federal income tax rate for the following reasons:

	1980	1979	1978
Federal income tax rate	**46.0%**	46.0%	48.0%
Foreign earnings, net of loss operations with no tax benefits, and foreign dividends	**2.1**	3.6	12.7
Accelerated depreciation, depletion and other expenses	**(.2)**	(1.1)	(1.9)
Investment tax credit	**(7.1)**	(8.3)	(8.1)
State and local income taxes, net of Federal tax benefit	**3.2**	3.5	3.8
Capital gains rate	**(.7)**	.9	(3.9)
Other	**1.6**	1.3	.2
Effective tax rate	**44.9%**	45.9%	50.8%

At December 31, 1980, the Corporation had not provided income taxes on $15,962,000 of undistributed earnings of non-United States subsidiaries, since such earnings are being continuously reinvested outside the United States and it is the Corporation's intention to continue this policy.

Note 13: Capital Stock

The authorized and issued capital stock of the Corporation at December 31, 1980 and 1979 is summarized below:

In thousands, except share data, issued at December 31,	1980 Shares	1980 Stated or par value	1979 Shares	1979 Stated or par value
Series preferred stock, without par value:				
Authorized: 4,814,708 shares (reserved for issuance of floating rate preferred stock—1,000,000 shares; for exercise of options—46,500 shares)				
Issued:				
$5.00 series (in treasury at both dates—3,760 shares)	**93,302**	**$ 9,563**	93,302	$ 9,563
$1.25 convertible series (in treasury at both dates—304,532 shares) with aggregate liquidation value at December 31, 1980 of $14,602	**584,086**	**8,852**	754,628	11,436
$1.36 convertible series (in treasury 1980–185,434 shares; 1979–271,538 shares) with aggregate liquidation value at December 31, 1980 of $19,582	**870,309**	**14,520**	1,766,132	29,502
	1,547,697	**$32,935**	2,614,062	$50,501
Series preference stock, without par value:				
Authorized: 5,127,109 shares				
Issued: Special Stock, Series A (in treasury at both dates—176,435 shares)	**557,148**	**$10,787**	731,274	$14,159
Common stock, $1.20 par value per share:				
Authorized: 60,000,000 shares (reserved for conversion of preferred stock–2,532,074 shares; for conversion of Special Stock, Series A–2,971,326 shares; for conversion of bonds of a subsidiary–60,456 shares; and for stock option and stock purchase plans–2,719,564 shares)				
Issued: (in treasury 1980–16,114,096 shares; 1979–693,509 shares)	**35,811,063**	**$42,973**	33,089,881	$39,708

In conjunction with the distribution of the common stock of the ocean shipping subsidiary in 1979, the shareholders approved a reduction in the par value of common stock from $1.25 to $1.20 per share, and in accordance with the Corporate Charter, the conversion rates applicable to the convertible securities were increased by approximately 22% to reflect the distribution to the common shareholders.

The holders of preferred stock are entitled to cumulative dividends at the respective rates set out in the titles of the various series and have voting rights. The holders of the $5.00 preferred stock, upon liquidation or redemption, are entitled to receive the stated value plus accrued and unpaid dividends. The $1.25 convertible preferred stock is redeemable, at the Corporation's option, at $25 per share. Each share of the $1.25 convertible preferred stock is convertible into 1.9472 common shares. The $1.36 convertible preferred stock is redeemable, at the Corporation's option, at $24.75 through August 14, 1981 and at decreasing amounts thereafter. Each share of the $1.36 convertible preferred stock is convertible into 1.5213 common shares.

Holders of Special Stock, Series A are not entitled to receive dividends; they have voting rights and on liquidation are entitled to receive $15 per share subject to the liquidation rights of the preferred shareholders. The Special Stock, Series A is convertible into 4.0529 shares of common stock through December 31, 1981 after which the conversion rate increases annually to a maximum of 5.3331 common shares on January 1, 1988. The stock is redeemable, at the Corporation's option, at $70 per share.

Changes in capital stock during the years ended December 31, 1980, 1979 and 1978 are summarized as follows:

	Preferred	Special Stock, Series A	Common
Shares issued Dec. 31, 1977	1,030,609	1,121,153	30,974,861
Issuance of preferred stock	2,136,638	—	—
Conversion of Special Stock, Series A	—	(228,168)	675,384
Conversion of preferred stock	(46,594)	—	74,391
Exercised under stock option plans	6,000	—	1,450
Shares issued Dec. 31, 1978	3,126,653	892,985	31,726,086
Conversion of Special Stock, Series A	—	(161,711)	497,728
Conversion of preferred stock	(525,791)	—	707,517
Conversion of bonds	—	—	3,750
Exercised under stock option plans	13,200	—	154,800
Shares issued Dec. 31, 1979	2,614,062	731,274	33,089,881
Conversion of Special Stock, Series A	—	(174,126)	678,393
Conversion of preferred stock	(1,116,365)	—	1,770,526
Conversion of bonds	—	—	83,635
Exercised under stock option plans	50,000	—	188,628
Shares issued Dec. 31, 1980	**1,547,697**	**557,148**	**35,811,063**

At December 31, 1980, 1979 and 1978, 155,434 shares, 271,538 shares and 276,766 shares, respectively, of $1.36 convertible preferred stock were held by Brewer, of which 132,622 shares, 248,726 shares and 258,825 shares, respectively, would have been issuable to former Brewer shareholders who are exercising appraisal rights. Changes in common stock held in the treasury during the year 1980 consisted of the acquisition of 16,205,517 shares in the exchange for the common shares of CU owned by the Corporation, the net issuance of 783,516 shares under employee stock purchase and ownership plans, and the issuance of 1,414 shares at fair market value. Changes in treasury stock during the years 1979 and 1978 consisted of the issuance of shares under employee stock purchase and ownership plans.

Bonds of a wholly-owned subsidiary due in 1986 with an outstanding principal amount of $795,000 at December 31, 1980 are convertible prior to maturity into common stock of the Corporation at $13.15 per share.

At December 31, 1980, a wholly-owned subsidiary had outstanding $100,000,000 of preferred stock. The stock has mandatory redemption requirements beginning in 1986 and a floating dividend rate, currently 9.16%. Under certain conditions, the Corporation may substitute similar stock of the Corporation or guaranteed subordinated promissory notes for the subsidiary's securities.

Note 14: Stock Options

Options to certain officers and employees of the Corporation and its subsidiaries were outstanding at December 31, 1980 and 1979 pursuant to non-qualified stock option plans, and a plan allowing grants of qualified and non-qualified options. Options are exercisable in varying amounts over periods from one to 10 years from the date of grant, at prices from 85% to 100% of the fair market value of the stock at the date of grant.

A qualified stock option which is not exercised prior to May 21, 1981 will become a non-qualified option on that date by operation of law.

In conjunction with the distribution of common stock of the ocean shipping subsidiary in 1979, the Board of Directors approved adjustments to the option price and shares under outstanding options. The changes in the outstanding options for common stock during 1980 and 1979 are shown in the following table.

	1980	1979
Shares under option at beginning of year	**1,198,459**	891,012
Adjustment of shares under option	—	213,614
Granted	**289,400**	397,000
Exercised	**(176,985)**	(154,800)
Cancelled or expired	**(12,172)**	(148,367)
Shares under option at end of year	**1,298,702**	1,198,459
Average option price	**$12.15**	$10.50

At December 31, 1980, there were 880,136 shares of common stock reserved for future grants under stock option plans.

In addition, options for 46,500 shares and 114,500 shares of $1.36 convertible preferred stock were outstanding at December 31, 1980 and 1979, respectively, with an average option price of $12.85 and $15.62, respectively. These options were assumed by the Corporation upon the acquisition of Brewer. Options covering 68,000 shares and 13,200 shares were exercised during the years 1980 and 1979, respectively.

Options exercised include 18,000 shares elected as stock appreciation rights; the amount of appreciation was elected to be received in common stock amounting to 11,643 shares. Options for 6,500 shares were cancelled during 1979.

Under the employee stock purchase plan, 540,726 shares of common stock are available for future issuance to eligible employees. During 1980, 722,973 shares of common stock were purchased at $9.62 per share under an offer made in 1978. In October 1980, an offering was made at a purchase price of $19.24 or 85% of the mean market price on December 31, 1982, whichever is lower. Subscriptions for 535,084 shares were outstanding at December 31, 1980.

The Compensation Committee of the Board of Directors was authorized to grant stock appreciation rights related to stock options granted under new and prior option plans. These rights entitle the grantee the alternative of electing not to exercise a related stock option but instead to receive an amount equal to the difference between the option price and the mean of the high and low market price on the date the right is exercised. Options outstanding at December 31, 1980 which may be elected to be exercised as stock appreciation rights include 895,573 options for common stock, average price $10.61 and 7,000 options for $1.36 convertible preferred stock, average price $10.13.

In 1979, the Board of Directors approved a program under which the Corporation made loans until December 31, 1980 to its senior officers for the purpose of exercising outstanding stock options. In 1980, the Board of Directors extended this program until May 15, 1981. The unsecured loans are payable over 10 years and bear interest at the prime rate (minimum 6%, maximum 12% per annum) and may not exceed $5,000,000. Loans outstanding under this program at December 31, 1980 and 1979 amounted to $2,379,000 and $1,461,000, respectively.

Note 15: Pension Plans

The Corporation and certain of its subsidiaries have insured or trusteed pension plans which generally provide for normal retirement at age 65. At January 1, 1980, the actuarial present value of vested and unvested accumulated plan benefits under these plans amounted to $117,534,000 and $8,603,000, respectively, and the fair value of net assets available for benefits under these plans amounted to $117,518,000. The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.3%, and ranged from 5% to 8%. It is the Corporation's general policy to fund pension costs accrued, including the amortization of prior service costs, over periods not exceeding 40 years. Pension expense, with respect to these plans, charged against continuing operations during the years ended December 31, 1980, 1979 and 1978 was $12,288,000, $11,589,000 and $11,376,000, respectively.

Information regarding multiemployer pension plans, to which certain subsidiaries contribute, is not currently made available to the contributing employers by the union administrators or trustees.

Note 16: Operating Segment Information

The revenues and operating earnings information for 1980, 1979 and 1978 on pages 22 and 23, capital expenditures for 1980 and 1979 on page 19, and the description of products and services of each segment contained on page 7 are an integral part of these statements and should be read in conjunction with this note.

Identifiable assets as of December 31, 1980, 1979 and 1978 and depreciation and amortization of continuing operations for the years 1980, 1979 and 1978 by major market segment are presented below. Corporate assets are principally cash and investments.

	Identifiable Assets		
In thousands	**1980**	1979	1978
Transportation services	**$ 368,777**	$ 361,363	$ 321,857
Environmental:			
Environmental services	**151,570**	138,445	91,951
Water services	**223,944**	219,505	264,468
Agribusiness	**304,141**	233,950	220,591
Distribution services	**111,453**	129,959	180,282
Industrial and other	**169,927**	153,318	130,035
Corporate	**55,787**	63,279	21,190
Total	**$1,385,599**	$1,299,819	$1,230,374

	Depreciation and Amortization		
In thousands	**1980**	1979	1978
Transportation services	**$35,997**	$31,117	$28,018
Environmental:			
Environmental services	**20,119**	15,015	11,127
Water services	**3,661**	4,255	4,610
Agribusiness	**7,127**	5,808	8,072
Distribution services	**3,039**	3,119	3,235
Industrial and other	**6,315**	5,996	6,174
Corporate	**499**	554	467
Total	**$76,757**	$65,864	$61,703

A summary of significant items with respect to continuing operations in major geographic areas is as follows:

In thousands	Revenues	Earnings	Total assets
1980			
United States and Canada	**$2,095,720**	**$67,363**	**$1,245,327**
International	**165,506**	**8,694**	**140,272**
Total	**$2,261,226**	**$76,057**	**$1,385,599**
1979			
United States and Canada	$1,991,347	$42,372	$1,167,569
International	137,370	7,130	132,250
Total	$2,128,717	$49,502	$1,299,819
1978			
United States and Canada	$1,843,603	$35,851	$1,119,896
International	129,434	1,164	110,478
Total	$1,973,037	$37,015	$1,230,374

Corporate assets are located within the United States. Operations outside the United States include precious-metals mining operations in Canada and worldwide metal recovery and agribusiness operations.

Note 17: Leases

The Corporation and its subsidiaries lease certain facilities and equipment. Total rental expense, including short-term leases and immaterial amounts of contingent rents, charged against continuing operations for the years ended December 31, 1980, 1979 and 1978 was $180,243,000, $171,148,000 and $123,564,000, respectively. Sublease income from these leases is not material.

The future minimum lease payments under all noncancellable leases are shown in the following table:

In thousands	Capital leases	Operating leases
1981	$ 3,071	$13,428
1982	2,722	9,099
1983	2,282	7,108
1984	1,709	5,461
1985	1,332	4,265
Thereafter	7,711	18,254
	18,827	$57,615
Less amount representing interest (2% to 21%)	5,755	
Present value of minimum lease payments	$13,072	

Note 18: Commitments and Contingencies

At December 31, 1980, outstanding contractual commitments of subsidiaries for the construction of new plant and the purchase of equipment amounted to approximately $33,500,000, including $17,700,000 for the purchase of revenue equipment and terminals for the trucking companies, all of which become due for payment in 1981.

The Corporation has received notices of tax deficiencies with respect to 1968–1970 (which presently are being contested in Tax Court), and has pending claims for partial refund of tax assessments paid with respect to 1971–1972. The Corporation has also received notices of proposed tax adjustments with respect to 1973–1974 (which presently are being protested with the Internal Revenue Service), some of which could result in substantial tax deficiencies and may impact subsequent years. The more significant items involve current deductibility of certain expenditures which were capitalized in the water utility rate setting process, the current deductibility of a foreign exchange loss, and the taxation of intercompany loans between foreign subsidiaries as dividends to the United States parent corporation. The Corporation does not agree with the notices of tax deficiencies and the proposed adjustments, and believes that it has sound arguments in support of its positions. While the final outcome of these matters is not determinable at this time, management believes the ultimate liability, if any, will not materially affect the financial position of the Corporation.

In addition, certain subsidiaries have guaranteed collection of receivables and are contingently liable for certain other obligations of distribution subsidiaries sold amounting to approximately $5,083,000 at December 31, 1980.

In 1981, the Corporation's precious-metals mining subsidiary realized proceeds of Canadian $80,000,000 (U.S. $67,200,000) from sale of 1,600,000 units priced at Canadian $50.00 per unit. Each unit consisted of one share of $3.00 preferred stock with a stated value of Canadian $25.00 per share and four gold purchase warrants. The preferred stock has mandatory redemption requirements beginning in 1986. The gold purchase warrants entitle the holders to purchase a total of 112,960 troy ounces of gold at U.S. $595 per troy ounce. Of the total issue price, U.S. $33,600,000 ($5.25 per warrant) represents a prepayment of the purchase price of gold. One-fourth of the warrants are exercisable on each January 31st beginning on Janury 31, 1986 and ending on January 31, 1989.

Note 19: Incentive Compensation Plans

Officers and key employees of the Corporation and certain of its subsidiaries receive awards under incentive compensation plans. Such awards are predicated on the performance of the Corporation and those subsidiaries, as measured currently by return on total shareholders' equity for the Corporation and by operating return on total capital, excluding current non-interest-bearing liabilities, for the subsidiaries. Incentive compensation charged against continuing operations for the years ended December 31, 1980, 1979 and 1978 amounted to approximately $6,482,000, $7,355,000 and $6,255,000, respectively.

Note 20: Quarterly Operating Results (Unaudited)

The following is a summary of the unaudited quarterly operating results for the two years ended December 31, 1980:

In thousands	Revenues and other income	Cost of products sold, other operating costs and expenses	Earnings from continuing operations	Net earnings (loss)
For 1980:				
1st quarter	**$ 570,262**	**$ 423,940**	**$26,110**	**$ 39,722**
2nd quarter	**547,338**	**431,645**	**13,366**	**105,348**
3rd quarter	**553,494**	**430,360**	**15,100**	**(16,180)**
4th quarter	**590,132**	**452,310**	**21,481**	**15,809**
Full year	**$2,261,226**	**$1,738,255**	**$76,057**	**$144,699**
For 1979:				
1st quarter	$ 509,998	$ 394,874	$12,032	$ 20,677
2nd quarter	513,468	407,290	9,315	18,083
3rd quarter	551,069	435,782	14,449	14,354
4th quarter	554,182	433,422	13,706	13,906
Full year	$2,128,717	$1,671,368	$49,502	$ 67,020

	Earnings (loss) per share			
	Primary		Assuming full dilution	
	Continuing operations	Net	Continuing operations	Net
For 1980:				
1st quarter	**$ .72**	**$1.11**	**$ .67**	**$1.02**
2nd quarter	**.42**	**3.41**	**.39**	**3.10**
3rd quarter	**.69**	**(.79)**	**.64**	**—**
4th quarter	**.97**	**.71**	**.90**	**.66**
Full year	**$2.72**	**$5.25**	**$2.51**	**$4.77**
For 1979:				
1st quarter	$ .33	$ .59	$ .32	$ .55
2nd quarter	.25	.51	.25	.48
3rd quarter	.40	.40	.38	.38
4th quarter	.37	.38	.36	.36
Full year	$1.36	$1.88	$1.30	$1.76

Quarterly earnings per share do not total full year earnings per share because outstanding shares were reduced in June 1980 as a result of the exchange transaction referred to in note 4 and because of the anti-dilutive effect of convertible securities. Earnings per share assuming full dilution is not reported for the third quarter of 1980 because of the anti-dilutive effect of convertible securities.

Total foreign currency adjustments, including discontinued operations, resulted in gains (losses) of $5,498,000, $(9,835,000), $(86,000), and $489,000 in the four quarters ended December 31, 1980 and $(6,807,000), $(1,550,000), $(4,076,000) and $(1,068,000) in the four quarters ended December 31, 1979.

The first quarter of 1980 includes a significant gain realized on the liquidation of forward contracts to sell silver.

The first quarter of 1979 includes the gain on the sale of a water utility property and the third quarter of 1979 includes a $4,000,000 provision for loss on the disposition of a dental supply company.

Note 21: Effect of Changing Prices (Unaudited)

Financial Accounting Standard No. 33 (FAS 33) requires disclosure of the estimated impact on operations and financial position of both general inflation and the change in current cost of the specific inventory sold and property and equipment employed by a business. Methods prescribed by FAS 33, used to adjust the historical costs of inventory, property, plant and equipment and the related costs of products sold and depreciation, are experimental and result in approximations which should not be relied on as precise measures of inflationary effects.

As required by FAS 33, the impact of general inflation was estimated by indexing historical cost amounts using the Consumer Price Index for all Urban Consumers (CPI-U), a broad-based measure of the general inflation rate. These adjusted costs, expressed in dollars of purchasing power equal to the average purchasing power of the dollar in 1980 are referred to as constant dollar equivalents.

The current cost of specific inventory and property, plant and equipment was estimated generally by direct pricing or by using industry-based indices.

Depreciation expense on the adjusted property, plant and equipment costs was computed using historical depreciation rates and methods. Cost of products sold based on the adjusted costs of inventory was calculated using historical turnover rates. Revenues and other expenses have not been adjusted; they are assumed to have occurred evenly during the year. Income taxes have not been adjusted; current tax law does not allow inflationary adjustments in the determination of actual tax liability.

The reduction to net recoverable cost recognizes that only the historical cost of property, plant and equipment is generally recoverable in the utility rate-setting process. The assets of the water services utility comprise approximately 29% of consolidated property, plant and equipment.

The gain from decline in purchasing power of net amounts owed recognizes that during a period of inflation, monetary liabilities will be repaid in dollars with less purchasing power. The portion of the gain attributable to the net monetary liability position of the water services utility may not be realized, because historical costs are used in the rate-setting process.

The adjustments to reflect the effects of changing prices, as shown in the table at the bottom of the page, demonstrate the cumulative impact of inflation on the costs of plant and equipment acquired over a period of years and on cost of inventory. The impact of inflation on cost of products sold is less significant because of the inventory turnover rate and because the majority of companies are engaged in service-related industries.

The following reserve information, required by a supplement to FAS 33, is presented as of December 1980 for silver and as of August 1980 for gold. Production at the gold mining property is expected to begin in mid-1982.

In thousands, except market prices, for the year 1980	Silver	Gold
Proven and probable ore reserves:		
Tons of ore	35	1,748
Troy ounces	1,177	663
Tons of ore milled	40	—
Troy ounces produced	1,345	—
Average market price per troy ounce	$20.83	$613

In millions	Constant dollar average 1980 dollars	Current cost average 1980 dollars
Income from continuing operations (as reported in the primary financial statements)	$76.0	$ 76.0
Adjustments to restate costs for the effects of changing prices:		
Cost of products sold	(13.2)	(13.4)
Depreciation	(33.9)	(52.5)
Minority interest	.6	1.1
Income from continuing operations (excluding reduction to net recoverable cost)	$29.5	$ 11.2
Reduction of water utility net property, plant and equipment to net recoverable cost*	$17.3	—
Increase in specific prices (current cost) of net inventory and property, plant and equipment during the year**		$159.3
Effect of increase in general price level		191.3
Excess of increase in general price level over increase in specific prices		$ 32.0
Gain from decline in purchasing power of net amounts owed	$53.4	$ 53.4

*Including the reduction to net recoverable cost, income from continuing operations on a constant dollar basis would have been $12.2. The general inflation rate was higher than the increase in specific prices experienced by the water utility subsidiary. No reduction to recoverable cost was required in 1980 and 1979 on a current cost basis principally because depreciation on a current cost basis provided for any write-down that may have been required.

**At December 31, 1980 and 1979, current cost of inventory was $177.4 and $169.3, respectively, and current cost of net property, plant and equipment was $1,090.4 and $973.4, respectively.

The five-year summary of selected data, as required by FAS 33, has been adjusted to a common unit of measurement, average 1980 dollars.

In millions, except per share data, of average 1980 dollars, for the years ended December 31,	**1980**	1979	1978	1977	1976
Constant dollar information:					
Revenues and other income	**$2,261.2**	$2,416.6	$2,492.0	$2,374.6	$2,208.5
Earnings from continuing operations	**$ 29.5**	$ 14.9			
Earnings per share	**$ 1.01**	$ .32			
Reduction to net recoverable cost	**$ 17.3**	$ 20.2			
Gain from decline in purchasing power of net amounts owed	**$ 53.4**	$ 54.9			
Net assets at year-end at net recoverable cost	**$ 469.5**	$ 722.1			
Current cost information:					
Earnings (loss) from continuing operations	**$ 11.2**	$ (5.3)			
Earnings (loss) per share	**$ .34**	$ (.29)			
Excess of increase in general price level over increase in current cost of inventory and equipment held during the year (based on specific price changes)	**$ 32.0**	$ 11.0			
Net assets at year-end at net recoverable cost	**$ 678.3**	$ 945.5			
Other information:					
Cash dividends per common share	**$ 1.025**	$ 1.08	$ 1.17	$ 1.22	$ 1.27
Market price per common share at year-end	**16¾**	12	12½	14⅞	16⅞
Average consumer price index	**246.8**	217.4	195.4	181.5	170.5

Accountants' Report

The Board of Directors and Shareholders
IU International Corporation
Wilmington, Delaware

We have examined the consolidated balance sheets of IU International Corporation (a Maryland Corporation) and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of earnings, additional paid-in capital, retained earnings, and changes in financial position for each of the years in the three-year period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of IU International Corporation and subsidiaries at December 31, 1980 and 1979, and the results of their operations and changes in financial position for each of the years in the three-year period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
1500 Walnut Street
Philadelphia, Pennsylvania 19102
February 27, 1981

Shareholder Data

Shareholders: IU International had 38,160 shareholders at year-end 1980, including 31,052 holders of common stock and 7,108 holders of preferred and preference stock. An estimated 15,000 individual shareholders own IU common stock that is held beneficially on their behalf by securities firms and depository trusts.

On December 31, 1980, there were 19,696,967 shares of IU common stock outstanding; 380,713 shares of Special Stock, Series A outstanding; 279,554 shares of $1.25 convertible preferred stock outstanding; 684,875 shares of $1.36 convertible preferred stock outstanding; and 89,542 shares of $5.00 preferred stock outstanding.

Capital stock summary: The cash dividends and the high and low prices of the company's stock based on New York Stock Exchange daily composite transactions are shown in the table below. The Special Stock, Series A is not entitled to cash dividends, but is convertible into common stock at an increasing ratio.

The company's $5.00 preferred stock does not trade actively and is not included in the table. During 1980 and 1979, the bid prices were $36 and $42 per share, respectively. Dividends of $1.25 per share were paid in each quarter of 1980 and 1979 to holders of this stock.

Dividends: Dividend payments are made to IU shareholders on the first business day of March, June, September, and December. Total dividends paid during 1980 were $28.6 million. Owners of common stock were paid $26.3 million, and owners of preferred stock received $2.3 million.

Dividend reinvestment plan: IU's dividend reinvestment plan enables common and preferred shareholders to reinvest their quarterly dividends in IU common stock—free of all brokerage and administrative charges.

Shareholders may reinvest a portion of their dividends and receive the balance in cash. New cash investments of up to $5,000 per quarter also may be made at no additional charge.

A brochure describing the program is available from the company's Corporate Affairs Department, 1500 Walnut Street, Philadelphia, Pa. 19102, and from the Dividend Reinvestment Service Offices of Morgan Guaranty Trust Company, P.O. Box 3506, New York, N.Y. 10008.

Approximately 21% of IU's common shareholders and 11% of IU's preferred shareholders participate in the dividend reinvestment plan.

Stock exchanges: IU's capital stock is listed for trading (symbol: IU) on these exchanges: New York, Philadelphia, Midwest, Pacific, Toronto, Montreal, Vancouver, London, Amsterdam, Oslo and Tokyo.

Transfer agents and registrars: The transfer agents for IU's capital stock are Morgan Guaranty Trust Company of New York, Wilmington Trust Company in Wilmington, and Montreal Trust Company in Montreal and Toronto. The registrars are Morgan Guaranty Trust Company of New York, Wilmington Trust Company in Wilmington, and Crown Trust Company in Montreal and Toronto.

Annual meeting: IU's annual meeting of shareholders will be held at 9:30 a.m. on Wednesday, May 6, 1981, at the Wells Fargo Bank Building in San Francisco.

	Common Stock			Special Stock, Series A		$1.25 Convertible Preferred Stock			$1.36 Convertible Preferred Stock		
	Dividend	High	Low	High	Low	Dividend	High	Low	Dividend	High	Low
1980: 4th Quarter	**$.2750**	**23½**	**16⅝**	**90**	**65¾**	**$.3125**	**46¾**	**32**	**$.34**	**35**	**24½**
3rd Quarter	**.2750**	**24⅞**	**15⅛**	**88**	**57½**	**.3125**	**46¾**	**29**	**.34**	**36½**	**22⅝**
2nd Quarter	**.2375**	**16½**	**11⅛**	**63½**	**42**	**.3125**	**31⅝**	**21**	**.34**	**24¾**	**16½**
1st Quarter	**.2375**	**14¾**	**9⅝**	**55⅜**	**41½**	**.3125**	**28**	**20**	**.34**	**22⅛**	**15¼**
1979: 4th Quarter	.2375	15⅛	10⅜	45	36	.3125	23	17	.34	18⅝	14⅞
3rd Quarter	.2375	13½	11⅝	41½	35⅜	.3125	21	18⅜	.34	17	15⅝
2nd Quarter	.2375	14¼	10⅝	42	32	.3125	22½	17	.34	17¾	14⅛
1st Quarter	.2375	11⅛	10⅛	33¾	30½	.3125	17¾	16⅜	.34	14½	13⅝

Robert F. Calman,
48, is vice chairman and chief financial officer of IU. A director since 1978, he joined IU in 1970 as vice president–finance and treasurer. He is a graduate, magna cum laude, of Yale University and a member of Phi Beta Kappa, and he holds a master's degree from the Alfred P. Sloan School of Management at Massachusetts Institute of Technology. He is a director of Letraset Limited. Mr. Calman lives in Philadelphia.

John Gilray Christy,
48, is president and chief executive officer of IU. A director since 1978, he joined IU in 1972 as group vice president for land transportation. He was elected executive vice president in 1976 and president and chief operating officer in 1978, and became chief executive officer on September 1, 1980. Earlier, he was with ITT and the U.S. Agency for International Development. A former Navy pilot, he is a graduate of Dartmouth College and received a master's degree in Asian studies from the University of California. He is a director of Fidelcor, Inc. and Gotaas-Larsen Shipping Corp., and serves as a trustee of World Education, Inc. Mr. Christy resides in Philadelphia.

John T. Jackson,
59, is chairman of the executive committee of IU. A director since 1971, he joined General Waterworks in 1966 as vice president, industrials and was named vice president, industrials of IU when the two companies merged in 1968. He earlier served as vice president of ITT and of Sperry-Rand. Mr. Jackson is an engineering graduate of Cornell University. He is a director of Delaware Trust Co. and the Vanguard Funds, and serves as a trustee of The Academy of Natural Sciences of Philadelphia. He resides in Haverford, Pennsylvania.

E. B. Leisenring, Jr.,
55, is chairman and chief executive officer of Westmoreland Coal Co., a coal producing company, of which he has been an officer since 1961. He has been an IU director since 1975. Mr. Leisenring is a graduate of Yale University. He is a director of Fidelcor, Inc., Southern Railway System, and SKF Industries, and serves as vice chairman of the Eisenhower Exchange Fellowships. He resides in Berwyn, Pennsylvania.

Peter L. P. Macdonnell,
61, is a senior partner of Milner & Steer, barristers and solicitors based in Edmonton, Alberta. An IU director since 1976, he is a member of the bars of Great Britain, Ontario, and Alberta. In 1964, he was named Queen's Counsel. Mr. Macdonnell is a graduate of Queen's University and received his law degree at Cambridge University in England. He is a director of Hiram Walker Resources, Limited; Canadian Utilities Limited; The Royal Bank of Canada; and Nova, An Alberta Corporation. He resides in Edmonton.

Willis S. McLeese,
67, is chairman of Trans Canada Freezers, Limited, a company based in Toronto which operates a chain of cold storage warehouses. An IU director since 1961, he also serves as chairman and director of American Consumer Industries, Inc., vice president and director of Eastern Utilities Limited, and treasurer and director of International Association of Refrigerated Warehouses. Mr. McLeese is past president of the Refrigeration Research Foundation. He resides in Toronto.

Derald H. Ruttenberg,
65, is a director of and consultant to McGraw-Edison Co., a manufacturer and supplier of electrical and mechanical products and related services. He is also chairman of The Madison Fund, a director of The Susquehanna Corp., and a trustee of Mount Sinai Medical Center in New York. He was elected to the IU board in February 1980. He is a graduate of the University of Wisconsin, and has a master's degree in industrial administration from the Harvard School of Business Administration and a law degree from Yale University School of Law. Mr. Ruttenberg lives in New York.

John M. Seabrook,
63, is chairman of IU. Joining IU in 1959, he became a director in 1963, president in 1965, and chairman in 1969, and was chief executive from 1967 to September 1, 1980. A Phi Beta Kappa graduate of Princeton University, he is a licensed professional engineer. He is chairman of Gotaas-Larsen Shipping Corp. and a director of Lenox Inc., New Jersey Bell Telephone Co., South Jersey Industries, and Consolidated Bathurst Inc. He is a trustee of The Brandywine Conservancy and Eisenhower Exchange Fellowships. Mr. Seabrook resides in Salem, New Jersey.

Lewis H. Van Dusen, Jr.,
70, is senior partner in the law firm of Drinker, Biddle and Reath in Philadelphia. An IU director since 1975, he is former chairman of the American Bar Association's Standing Committee on Professional Ethics and Responsibility. Mr. Van Dusen is a Phi Beta Kappa graduate of Princeton, and received his law degree from New College, Oxford University. He is a director of the Campbell Soup Co. He resides in Bala-Cynwyd, Pennsylvania.

William M. Weaver, Jr.,
69, is a partner in the investment banking firm of Alex. Brown & Sons in New York. He has served as an IU director from 1958 to 1961 and from 1976 to the present. He was president and chairman of Howmet Corporation before joining Alex. Brown & Sons in 1966. Mr. Weaver is a graduate of Princeton University, where he was elected to Phi Beta Kappa. He is also a director of Gotaas-Larsen Shipping Corp. and The Allen Group, Inc., among others. He resides in Smith, Nevada.

Ira T. Wender,
54, is president and chief executive officer of A. G. Becker–Warburg Paribas Becker Inc., investment bankers. He has also been a partner of the New York law firm of Wender, Murase & White since its

The directors visit principal company operations periodically for reviews with operating management. This gives the directors a first-hand knowledge of proposed major financial commitments, new facilities, and organizational challenges. The IU Board devoted most of a two-day meeting in September 1980 to environmental and mining activities, including visits to two International Mill Service operations, a specialty steel mill of Ugine Aciers at L'Ardoise, France, and the large integrated steel works of Solmer near Fos, France.

founding in 1971. An IU director since 1967, he holds law degrees from Chicago and New York Universities. Mr. Wender is a member of the Board of Managers of Swarthmore College, which he attended, and a director of Mercury Securities, Limited of London and Paribas International S.A. of Paris. He lives in New York.

The Earl of Westmorland, K.C.V.O.,
56, is chairman of Sotheby Parke Bernet Group Limited, London, fine art auctioneers. An IU director since 1972, Lord Westmorland has been a Lord-in-Waiting to Her Majesty Queen Elizabeth II since 1955 and is a Knight Commander of the Royal Victoria Order. He is also a director of Gotaas-Larsen Shipping Corp., Westmoreland Coal Co., and Crown Life Insurance Co. He resides in London.

Top photo, left to right:
(1) Mr. Ruttenberg
(2) Mr. Van Dusen
(3) Mr. Macdonnell
(4) Lord Westmorland
(5) Mr. Christy
(6) Mr. Calman
(7) Mr. McLeese
(8) Mr. Leisenring
(9) Mr. Weaver
(10) Mr. Seabrook
(11) Mr. Jackson
(12) Mr. Wender

Bottom photo, left to right:
(1) Mr. Christy
(2) Mr. McLeese
(3) Secretary William H. Walker
(4) Mr. Wender
(5) Lord Westmorland
(6) Mr. Jackson

Committees
December 31, 1980

Audit Committee:*
Willis S. McLeese, Chairman
E. B. Leisenring, Jr.
William M. Weaver, Jr.

Compensation Committee:*
Ira T. Wender, Chairman
Willis S. McLeese, Deputy Chairman
The Earl of Westmorland

Executive Committee:
John T. Jackson, Chairman
John Gilray Christy
Willis S. McLeese
John M. Seabrook
Ira T. Wender

Nominating Committee:
E. B. Leisenring, Jr., Chairman
John Gilray Christy
Peter L. P. Macdonnell
John M. Seabrook
William M. Weaver, Jr.
Ira T. Wender

*Composed entirely of outside directors.

Operating and Staff Executives

Senior Officers

John M. Seabrook
Chairman

John Gilray Christy
President and Chief Executive Officer

Robert F. Calman
Vice Chairman and Chief Financial Officer

John T. Jackson
Chairman of the Executive Committee

John B. Turbidy
Executive Vice President

Group Executives

Allen E. Rosenberg
Group Executive and
Vice President, Water Services
and
President, General Waterworks Corp.
Bryn Mawr, Pennsylvania

John J. Terry
Group Executive and
Vice President, Transportation Services
Philadelphia, Pennsylvania

Robert W. Wolcott, Jr.
Group Executive and
Vice President, Environmental and Mining
Philadelphia, Pennsylvania

John W. A. Buyers
President, C. Brewer and Co., Ltd.
Honolulu, Hawaii

Staff Executives

Roger L. Blume
Vice President, Strategic Planning

Jack Greenberg
Vice President, Taxes

John B. Keenan
Vice President, Human Resources

Victor J. Lang, Jr.
Vice President, Government Affairs

David W. Menard
Vice President, Audit Services

John A. Murphy
Vice President, Corporate Development

Laurent J. Remillard
Vice President and Controller

Magnus E. Robinson
Vice President and Treasurer

Arlen D. Southern
Vice President, Corporate Affairs

Anson W. H. Taylor, Jr.
General Counsel

William H. Walker
Secretary

Operating Executives

Jack Bayer
President
International Mill Service
Philadelphia, Pennsylvania

W. Doyle Beatenbough
President
Pacific Intermountain Express
Walnut Creek, California

W. C. Bender
President
Helms Express
Irwin, Pennsylvania

Howard Biggers, Jr.
President
Biggers Brothers
Charlotte, North Carolina

Philip S. Cottone
President
IU Land Development Corp.
Philadelphia, Pennsylvania

Bill J. Goodwin
President
Southwest Fabricating & Welding Co.
Houston, Texas

Robert V. Harwood
President
TAS Communications Services
Toronto, Ontario

L. E. Johnson
President
Byrns Motor Express
East Syracuse, New York

Augustus D. Lagomarsino
President
G. & W. H. Corson, Inc.
Plymouth Meeting, Pennsylvania

Thomas L. Mainwaring
President
Ryder Truck Lines
Jacksonville, Florida

Walter L. Moore
President
Unijax, Inc.
Jacksonville, Florida

Edward M. Perry
President
Hills-McCanna Co.
Carpentersville, Illinois

B. Lawrence Seabrook, Jr.
President
IU Conversion Systems, Inc.
Horsham, Pennsylvania

John Zigarlick, Jr.
President
Echo Bay Mines Ltd.
Edmonton, Alberta

IU's Annual Report to the Securities and Exchange Commission on Form 10-K and the company's Facts & Figures Manual will be available, on request, from the Corporate Affairs Department of IU, 1500 Walnut Street, Philadelphia, Pennsylvania 19102 (telephone 215 985-6600).

Beneficial shareholders who experience delays in receiving IU financial reports from their brokerage firms are invited to write directly to the Corporate Affairs Department for these publications.

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